

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 26, 2015**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number **001-04298**

COHU, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

95-1934119

(I.R.S. Employer Identification No.)

12367 Crosthwaite Circle, Poway, California

(Address of principal executive offices)

92064-6817

(Zip Code)

Registrant's telephone number, including area code (858) 848-8100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of September 26, 2015 the Registrant had 26,128,118 shares of its \$1.00 par value common stock outstanding.

COHU, INC.
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FORM 10-Q
SEPTEMBER 26, 2015

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Item 1.

COHU, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)

	September 26, 2015 (Unaudited)	December 27, 2014 *
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 89,260	\$ 70,885
Short-term investments	1,467	1,155
Accounts receivable, net	56,020	70,490
Inventories:		
Raw materials and purchased parts	25,465	26,239
Work in process	18,105	19,044
Finished goods	7,300	3,917
	50,870	49,200
Refundable income taxes	157	1,012
Deferred income taxes	3,254	4,406
Other current assets	5,667	7,351
Current assets of discontinued operations (Note 2)	-	10,318
Total current assets	206,695	214,817
Property, plant and equipment, at cost:		
Land and land improvements	11,442	11,762
Buildings and building improvements	31,169	31,065
Machinery and equipment	30,705	32,356
	73,316	75,183
Less accumulated depreciation and amortization	(41,372)	(43,329)
Net property, plant and equipment	31,944	31,854
Goodwill	60,860	63,132
Intangible assets, net	27,367	33,087
Other assets	5,620	5,928
	\$ 332,486	\$ 348,818
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 25,848	\$ 25,119
Accrued compensation and benefits	16,502	18,687
Accrued warranty	3,991	4,846
Deferred profit	5,732	6,941
Income taxes payable	4,960	3,133
Other accrued liabilities	6,134	6,969
Current liabilities of discontinued operations (Note 2)	-	2,783
Total current liabilities	63,167	68,478
Accrued retirement benefits	14,793	13,180
Deferred income taxes	9,793	11,062
Noncurrent income tax liabilities	6,542	7,321
Other accrued liabilities	1,865	1,003
Noncurrent liabilities of discontinued operations (Note 2)	-	706
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$1 par value; 1,000 shares authorized, none issued	-	-
Common stock, \$1 par value; 60,000 shares authorized, 26,128 shares issued and outstanding in 2015 and 25,692 shares in 2014	26,128	25,692
Paid-in capital	102,922	97,938
Retained earnings	127,777	134,152
Accumulated other comprehensive loss	(20,501)	(10,714)
Total stockholders' equity	236,326	247,068
	\$ 332,486	\$ 348,818

* Derived from December 27, 2014 audited financial statements

The accompanying notes are an integral part of these statements.

COHU, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net sales	\$ 67,512	\$ 91,573	\$ 206,170	\$ 226,042
Cost and expenses:				
Cost of sales	44,718	58,621	137,529	148,797
Research and development	8,605	8,587	24,901	26,935
Selling, general and administrative	11,923	12,358	38,006	38,218
	<u>65,246</u>	<u>79,566</u>	<u>200,436</u>	<u>213,950</u>
Income from operations	2,266	12,007	5,734	12,092
Interest and other, net	9	6	19	25
Income from continuing operations before taxes	2,275	12,013	5,753	12,117
Income tax provision	940	2,001	2,251	2,612
Income from continuing operations	1,335	10,012	3,502	9,505
Loss from discontinued operations, net of tax (Note 2)	(222)	(2,493)	(5,201)	(1,171)
Net income (loss)	<u>\$ 1,113</u>	<u>\$ 7,519</u>	<u>\$ (1,699)</u>	<u>\$ 8,334</u>
Income (loss) per share:				
Basic:				
Income from continuing operations	\$ 0.05	\$ 0.39	\$ 0.13	\$ 0.38
Loss from discontinued operations	(0.01)	(0.09)	(0.20)	(0.05)
Net income (loss)	<u>\$ 0.04</u>	<u>\$ 0.30</u>	<u>\$ (0.07)</u>	<u>\$ 0.33</u>
Diluted:				
Income from continuing operations	\$ 0.05	\$ 0.38	\$ 0.13	\$ 0.37
Loss from discontinued operations	(0.01)	(0.09)	(0.19)	(0.05)
Net income (loss)	<u>\$ 0.04</u>	<u>\$ 0.29</u>	<u>\$ (0.06)</u>	<u>\$ 0.32</u>
Weighted average shares used in computing Income (loss) per share:				
Basic	<u>26,175</u>	<u>25,481</u>	<u>25,995</u>	<u>25,309</u>
Diluted	<u>26,796</u>	<u>26,174</u>	<u>26,679</u>	<u>25,698</u>
Cash dividends declared per share	<u>\$ 0.06</u>	<u>\$ 0.06</u>	<u>\$ 0.18</u>	<u>\$ 0.18</u>

The accompanying notes are an integral part of these statements.

COHU, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(in thousands)

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net income (loss)	\$ 1,113	\$ 7,519	\$ (1,699)	\$ 8,334
Other comprehensive loss, net of tax				
Foreign currency translation adjustments	(4,221)	(8,537)	(9,754)	(8,632)
Adjustments related to postretirement benefits	99	(92)	(33)	(172)
Other comprehensive loss, net of tax	(4,122)	(8,629)	(9,787)	(8,804)
Comprehensive loss	<u>\$ (3,009)</u>	<u>\$ (1,110)</u>	<u>\$ (11,486)</u>	<u>\$ (470)</u>

The accompanying notes are an integral part of these statements.

COHU, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Nine Months Ended	
	September 26, 2015	September 27, 2014
Cash flows from operating activities:		
Net income (loss)	\$ (1,699)	\$ 8,334
Reconciliation of net income (loss) to net cash provided by operating activities:		
Loss on disposal of microwave communications equipment business	3,232	-
Gain on disposal of video camera segment	-	(4,133)
Operating cash flows of discontinued operations	(1,039)	3,377
Depreciation and amortization	8,533	9,659
Share-based compensation expense	5,081	4,633
Deferred income taxes	(1,086)	(1,306)
Asset impairment charge	279	-
Other accrued liabilities	1,624	(268)
Changes in other assets	(522)	-
Changes in current assets and liabilities, excluding effects from divestitures:		
Accounts receivable	12,860	(30,593)
Inventories	(5,273)	(6,860)
Other current assets	2,891	340
Accounts payable	2,219	8,642
Deferred profit	(1,127)	5,689
Income taxes payable, including excess stock option exercise benefit	1,804	1,168
Accrued compensation, warranty and other liabilities	(3,217)	6,337
Net cash provided by operating activities	24,560	5,019
Cash flows from investing activities, excluding effects from divestitures:		
Cash received from sale of microwave communications equipment business	5,339	-
Cash received from sale of video camera business	-	9,886
Purchases of short-term investments	(453)	-
Purchases of property, plant and equipment	(3,687)	(1,226)
Sales and maturities of short-term investments	155	45
Changes in other assets	-	(62)
Investing cash flows of discontinued operations	(74)	(21)
Net cash provided by investing activities	1,280	8,622
Cash flows from financing activities:		
Cash dividends paid	(4,648)	(4,535)
Issuance of stock, net of repurchases	201	1,222
Net cash used in financing activities	(4,447)	(3,313)
Effect of exchange rate changes on cash and cash equivalents	(3,018)	(1,418)
Net increase in cash and cash equivalents	18,375	8,910
Cash and cash equivalents at beginning of period	70,885	51,668
Cash and cash equivalents at end of period	\$ 89,260	\$ 60,578
Supplemental disclosure of cash flow information:		
Cash paid (refunded) for income taxes	\$ (414)	\$ 976
Inventory capitalized as property, plant and equipment	\$ 220	\$ 1,059
Dividends declared but not yet paid	\$ 1,567	\$ 1,532
Facility capitalized under build-to-suit lease	\$ 682	\$ -

The accompanying notes are an integral part of these statements.

Cohu, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Presentation

Our fiscal years are based on a 52- or 53-week period ending on the last Saturday in December. The condensed consolidated balance sheet at December 27, 2014 has been derived from our audited financial statements at that date. The interim condensed consolidated financial statements as of September 26, 2015 (also referred to as “the third quarter of fiscal 2015” and “the first nine months of fiscal 2015”) and September 27, 2014 (also referred to as “the third quarter of fiscal 2014” and “the first nine months of fiscal 2014”) are unaudited. However, in management’s opinion, these financial statements reflect all adjustments (consisting only of normal, recurring items) necessary to provide a fair presentation of our financial position, results of operations and cash flows for the periods presented. The nine-month periods ended September 26, 2015 and September 27, 2014 were each comprised of 13 and 39 weeks, respectively.

Our interim results are not necessarily indicative of the results that should be expected for the full year. For a better understanding of Cohu, Inc. and our financial statements, we recommend reading these interim condensed consolidated financial statements in conjunction with our audited financial statements for the year ended December 27, 2014, which are included in our 2014 Annual Report on Form 10-K, filed with the U. S. Securities and Exchange Commission (“SEC”). In the following notes to our interim condensed consolidated financial statements, Cohu, Inc. is referred to as “Cohu”, “we”, “our” and “us”.

Certain prior-period amounts in our condensed consolidated financial statements have been reclassified to conform to the current period presentation. These reclassifications have no effect on previously reported net income.

Risks and Uncertainties

We are subject to a number of risks and uncertainties that may significantly impact our future operating results. These risks and uncertainties are discussed under Item 1A. “Risk Factors” included in this Form 10-Q. Understanding these risks and uncertainties is integral to the review of our interim condensed consolidated financial statements.

Discontinued Operations

On June 10, 2015, we sold all of the outstanding stock of our mobile microwave communications equipment business, Broadcast Microwave Services, Inc. (“BMS”) and on June 6, 2014, we completed the sale of our video camera business, Cohu Electronics. The operating results of BMS and Cohu Electronics are being presented as discontinued operations and all prior period amounts have been reclassified accordingly. See Note 2, “Discontinued Operations” for additional information. Unless otherwise indicated, all amounts herein relate to continuing operations.

Concentration of Credit Risk

Financial instruments that potentially subject us to significant credit risk consist principally of cash equivalents, short-term investments and trade accounts receivable. We invest in a variety of financial instruments and, by policy, limit the amount of credit exposure with any one issuer.

Trade accounts receivable are presented net of allowance for doubtful accounts of \$0.1 million and \$0.2 million at September 26, 2015 and December 27, 2014, respectively. Our customers include semiconductor manufacturers and semiconductor test subcontractors throughout many areas of the world. While we believe that our allowance for doubtful accounts is adequate and represents our best estimate at September 26, 2015, we will continue to monitor customer liquidity and other economic conditions, which may result in changes to our estimates regarding collectability.

Goodwill, Other Intangible Assets and Long-lived Assets

We evaluate goodwill for impairment annually and when an event occurs or circumstances change that indicate that the carrying value may not be recoverable. We test goodwill for impairment by first comparing the book value of net assets to the fair value of the reporting units. If the fair value is determined to be less than the book value, a second step is performed to compute the amount of impairment as the difference between the estimated fair value of goodwill and the carrying value. We estimated the fair values of our reporting units primarily using the income approach valuation methodology that includes the discounted cash flow method, taking into consideration the market approach and certain market multiples as a validation of the values derived using the discounted cash flow methodology. Forecasts of future cash flows are based on our best estimate of future net sales and operating expenses, based primarily on customer forecasts, industry trade organization data and general economic conditions.

Cohu, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

We conduct our annual goodwill impairment test as of October 1st of each year. As of October 1, 2014, we concluded there was no impairment as the estimated fair value of our reporting unit exceeded its carrying values by approximately 35%.

Long-lived assets, other than goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. For long-lived assets, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted, probability-weighted future cash flows. We measure the impairment loss based on the difference between the asset's carrying amount and estimated fair value.

Foreign Currency Translation

Assets and liabilities of our wholly owned foreign subsidiaries that use the U.S. Dollar as their functional currency are translated using exchange rates in effect at the end of the period, except for nonmonetary assets, such as inventories and property, plant and equipment, which are translated using historical exchange rates. Revenues and costs are translated using average exchange rates for the period, except for costs related to those balance sheet items that are translated using historical exchange rates. Gains and losses on foreign currency transactions are recognized as incurred. Certain of our foreign subsidiaries have designated the local currency as their functional currency and, as a result, their assets and liabilities are translated at the rate of exchange at the balance sheet date, while revenue and expenses are translated using the average exchange rate for the period. During the three- and nine-month periods ended September 26, 2015, we recognized approximately \$1.5 million and \$1.1 million of foreign exchange gains in our consolidated statement of operations, respectively. During the three- and nine-month periods ended September 27, 2014, we recognized approximately \$1.0 million and \$0.9 million of foreign exchange gains in our consolidated statement of operations, respectively. Cumulative translation adjustments resulting from the translation of the financial statements are included as a separate component of stockholders' equity.

Share-Based Compensation

Share-based compensation expense related to stock options is recorded based on the fair value of the award on its grant date which we estimate using the Black-Scholes valuation model. Share-based compensation expense related to restricted stock unit awards is calculated based on the market price of our common stock on the grant date, reduced by the present value of dividends expected to be paid on our common stock prior to vesting of the restricted stock unit.

Reported share-based compensation is classified, in the condensed consolidated interim financial statements, as follows (*in thousands*):

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Cost of sales	\$ 100	\$ 85	\$ 413	\$ 350
Research and development	256	453	841	1,364
Selling, general and administrative	1,281	1,047	3,827	2,919
Total share-based compensation	1,637	1,585	5,081	4,633
Income tax benefit	(70)	(60)	(181)	(157)
Total share-based compensation, net	<u>\$ 1,567</u>	<u>\$ 1,525</u>	<u>\$ 4,900</u>	<u>\$ 4,476</u>

Income (Loss) Per Share

Basic income (loss) per common share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the reporting period. Diluted income (loss) per share includes the dilutive effect of common shares potentially issuable upon the exercise of stock options, vesting of outstanding restricted stock units and issuance of stock under our employee stock purchase plan using the treasury stock method. In loss periods, potentially dilutive securities are excluded from the per share computations due to their anti-dilutive effect. For purposes of computing diluted income (loss) per share, stock options with exercise prices that exceed the average fair market value of our common stock for the period are excluded. For the three and nine months ended September 26, 2015, options to issue approximately 857,000 and 912,000 shares of common stock were excluded from the computation, respectively. For the three and nine months ended September 27, 2014, options to issue approximately 1,346,000 and 1,953,000 shares of common stock were excluded from the computation, respectively.

Cohu, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

The following table reconciles the denominators used in computing basic and diluted income (loss) per share (*in thousands*):

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Weighted average common shares	26,175	25,481	25,995	25,309
Effect of dilutive stock options	621	693	684	389
	<u>26,796</u>	<u>26,174</u>	<u>26,679</u>	<u>25,698</u>

Cohu has utilized the “control number” concept in the computation of diluted earnings per share to determine whether potential common stock instruments are dilutive. The control number used is income from continuing operations. The control number concept requires that the same number of potentially dilutive securities applied in computing diluted earnings per share from continuing operations be applied to all other categories of income or loss, regardless of their anti-dilutive effect on such categories.

Revenue Recognition

Our revenue recognition policy is disclosed in Note 1 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 27, 2014. As more fully described in that policy, revenue from products that have not previously satisfied customer acceptance requirements is recognized upon customer acceptance. The gross profit on sales that are not recognized is generally recorded as deferred profit and reflected as a current liability in our consolidated balance sheet.

At September 26, 2015, we had deferred revenue totaling approximately \$8.6 million and deferred profit of \$5.7 million. At December 27, 2014, we had deferred revenue totaling approximately \$10.7 million and deferred profit of \$6.9 million. The periodic increase is primarily a result of deferrals of revenue associated with product shipments made to our customers in accordance with our revenue recognition policy.

A small number of customers historically have been responsible for a significant portion of our net sales. Significant customer concentration information is as follows:

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Customers individually accounting for more than 10% of net sales	two	two	one	two
Percentage of net sales	29%	26%	17%	27%

Comprehensive Loss

Our accumulated other comprehensive loss balance totaled approximately \$20.5 million and \$10.7 million at September 26, 2015 and December 27, 2014, respectively, and was attributed to all non-owner changes in stockholders’ equity and consists of, on an after-tax basis where applicable, foreign currency adjustments resulting from the translation of certain of our subsidiary accounts where the functional currency is not the U.S. Dollar and adjustments related to postretirement benefits. Reclassification adjustments from accumulated other comprehensive income during the first nine months of fiscal 2015 and 2014 were not significant.

Retiree Medical Benefits

We provide post-retirement health benefits to certain executives and directors under a noncontributory plan. The net periodic benefit cost incurred during the first nine months of fiscal 2015 and 2014 was not significant.

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board (“FASB”) issued new guidance on revenue from contracts with customers. The amended guidance outlines a single comprehensive revenue model for entities to use in accounting for revenue arising from contracts with customers. The guidance supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” Entities have the option of using either a full retrospective or modified approach to adopt the guidance. This guidance is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2016. In April 2015, the FASB agreed to propose a one-year deferral of the revenue recognition standard’s effective date for all entities, which would change the effectiveness to annual reporting periods beginning after December 15, 2017, with the option to adopt as early as December 15, 2016. We are currently evaluating the impact of the new guidance on our financial statements and have not yet determined which transition method we will utilize upon adoption or the potential impact of this new guidance on our consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update (ASU) 2014-15, “Presentation of Financial Statements - Going Concern, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”. This standard sets forth management’s responsibility to evaluate, each reporting period, whether there is substantial doubt about an entity’s ability to continue as a going concern, and if so, to provide related footnote disclosures. The standard is effective for annual reporting periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. The Company does not believe that the adoption of this guidance will have any material impact on its financial position or results of operations.

In April 2015, the FASB issued ASU 2015-04, “Compensation - Retirement Benefits (Subtopic 715): Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets.” This update provides a practical expedient that permits a company to measure defined benefit plan assets and obligations using the month-end date that is closest to the company’s fiscal year-end and apply that practical expedient consistently from year to year. The practical expedient should be applied consistently to all plans if the company has more than one plan. This ASU is effective prospectively for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. We do not believe the adoption of this guidance will have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11 “Simplifying the Measurement of Inventory” (ASU 2015-11). ASU 2015-11 simplifies the guidance on the subsequent measurement of inventory, excluding inventory measured using last-in, first out or the retail inventory method. Under the new standard, in scope inventory should be measured at the lower of cost and net realizable value. The new standard is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. We are evaluating the impact of the new standard on our consolidated financial statements and our timing for adoption.

In September 2015, the FASB issued ASU 2015-16 “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments” (ASU 2015-16). ASU 2015-16 requires an entity to: recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined; record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date; and present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The new standard is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted for financial statements that have not been issued. We do not expect the new standard to have a significant impact on our consolidated financial statements upon adoption.

Cohu, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

2. Discontinued Operations

In June 2015, we sold all of the outstanding stock of BMS for \$8.0 million, comprised of a \$5.5 million in cash and up to \$2.5 million of contingent consideration. The sales price is subject to a working capital adjustment and, as a result, adjustments to the loss from sale reported below are possible. In June 2014, we sold substantially all the assets of our video camera business, Cohu Electronics for \$9.5 million in cash and \$0.5 million in contingent consideration. Our decision to sell these two non-core businesses resulted from management's determination that they were no longer a strategic fit within our organization.

As part of the divestiture of BMS we recorded a long-term contingent consideration receivable that has been classified as Level 3 in the fair value hierarchy. See Note 4, "Financial Instruments Measured at Fair Value" for additional information on the three-tier fair value hierarchy. The contingent consideration represents the estimated fair value of future payments we are due based on BMS achieving annual revenue targets in certain years as specified in the sale agreement. We determined the initial value of the contingent consideration by using the Monte Carlo simulation model and any future changes to the fair value of the contingent consideration will be recognized in earnings.

Balance sheet information for BMS presented as discontinued operations is summarized as follows (*in thousands*):

	December 27, 2014
Assets:	
Accounts receivable, net	\$ 3,156
Inventories	6,345
Other current assets	817
Total assets	\$ 10,318
Liabilities:	
Deferred Profit	\$ 504
Other accrued current liabilities	2,279
Total current liabilities	2,783
Noncurrent liabilities	706
Total liabilities	\$ 3,489

Operating results of our discontinued operations is summarized as follows (*in thousands*):

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net sales:				
Mobile microwave equipment segment	\$ -	\$ 2,868	\$ 6,965	\$ 11,113
Video camera segment	-	-	-	5,460
	<u>\$ -</u>	<u>\$ 2,868</u>	<u>\$ 6,965</u>	<u>\$ 16,573</u>
Operating loss before income taxes:				
Mobile microwave equipment segment	-	(2,598)	(1,963)	(5,062)
Video camera segment	-	-	-	(242)
	<u>-</u>	<u>(2,598)</u>	<u>(1,963)</u>	<u>(5,304)</u>
Loss from sale of BMS	(222)	-	(3,232)	-
Gain from sale of Cohu Electronics	-	-	-	4,133
Loss before taxes	(222)	(2,598)	(5,195)	(1,171)
Income tax provision	-	(105)	6	-
Loss, net of tax	<u>\$ (222)</u>	<u>\$ (2,493)</u>	<u>\$ (5,201)</u>	<u>\$ (1,171)</u>

Cohu, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

During the third quarter of 2015, we recognized \$0.2 million in additional loss from the disposal of BMS resulting from current period adjustments to contingent consideration and working capital as referenced above. We are still working to finalize the final working capital adjustment and additional adjustments may be required.

In connection with the disposal of our two business segments we incurred divestiture-related costs that would not have been incurred otherwise. These costs consist of legal and investment banking advisory services, success based compensation arrangements and certain other items that are incremental to normal operating charges and were expensed as incurred. These costs are included in the gain (loss) from sale amounts presented above. Divestiture-related costs associated with the sale of BMS incurred in the first six months of 2015 totaled \$1.0 million and similar costs associated with the sale of Cohu Electronics incurred in the first six months of 2014 totaled \$0.8 million. There were no divestiture-related costs incurred during the third quarter of 2015 or 2014.

3. Goodwill and Other Purchased Intangible Assets

Changes in the carrying value of goodwill during the year ended December 27, 2014 and the nine-month period ended September 26, 2015 were as follows (*in thousands*):

	Goodwill
Balance, December 28, 2013	\$ 67,983
Impact of currency exchange	(4,851)
Balance, December 27, 2014	63,132
Impact of currency exchange	(2,272)
Balance, September 26, 2015	\$ 60,860

Purchased intangible assets, subject to amortization are as follows (*in thousands*):

	September 26, 2015			December 27, 2014	
	Gross Carrying Amount	Accumulated Amortization	Remaining Useful Life (years)	Gross Carrying Amount	Accumulated Amortization
Rasco technology	\$ 27,435	\$ 23,388	1.3	\$ 29,845	\$ 22,616
Ismeca technology	27,248	9,540	5.3	27,014	6,879
	\$ 54,683	\$ 32,928		\$ 56,859	\$ 29,495

Amortization expense related to intangible assets was approximately \$1.7 million in the third quarter of fiscal 2015 and \$5.3 million in the first nine months of fiscal 2015. Amortization expense related to intangible assets was approximately \$2.0 million in the third quarter of fiscal 2014 and \$6.0 million in the first nine months of fiscal 2014. The amounts included in the table above for the period ended September 26, 2015 exclude approximately \$1.9 million and \$3.7 million, for trade names of Rasco and Ismeca, respectively. For the period ended December 27, 2014 these amounts were approximately \$2.1 million and \$3.6 million for Rasco and Ismeca, respectively. Changes in the carrying values of these intangible assets are a result of the impact of fluctuations in currency exchange rates.

Previously, it has been our determination that the Rasco and Ismeca trade names had an indefinite life. On September 24, 2015, we introduced a rebranding initiative and unveiled a new "Cohu" logo. The primary goal of the change was to improve the cohesiveness of our organization and come to the market as one brand.

We review the assessment of indefinite life for our trade names each period to determine whether the indefinite life assumption continues to be supportable. If it is deemed unsupported the change in useful life from indefinite to finite is made and amortization is recognized on a prospective basis. As a result of the rebranding initiative, we determined that the classification of the useful life of our trade names as indefinite was no longer appropriate based on our expectations of the future period over which they will provide economic benefit to Cohu. When an intangible asset that is not being amortized is subsequently determined to have a finite useful life there is a requirement for the asset to be tested for impairment in accordance with ASC 350, "Intangibles - Goodwill and Other". We have completed an interim impairment assessment that indicates the fair value of the Rasco and Ismeca trade names, as of September 24, 2015, exceed their carrying values by 4% and 17%, respectively.

Cohu, Inc.
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We believe the assumptions used in the interim impairment analysis are reasonable. However, the analysis is sensitive to adverse changes in the assumptions used in the valuations. In particular, changes in the projected cash flows, discount rates, royalty rates and other market based assumptions could produce significantly different results for the impairment analysis which could result in future impairment charges.

4. Financial Instruments Measured at Fair Value

Our cash, cash equivalents, and short-term investments consisted primarily of cash and other investment grade securities. We do not hold investment securities for trading purposes. All short-term investments are classified as available-for-sale and recorded at fair value. Investment securities are exposed to market risk due to changes in interest rates and credit risk and we monitor credit risk and attempt to mitigate exposure by making high-quality investments and through investment diversification.

Gains and losses on investments are calculated using the specific-identification method and are recognized during the period in which the investment is sold or when an investment experiences an other-than-temporary decline in value. Factors that could indicate an impairment exists include, but are not limited to: earnings performance, changes in credit rating or adverse changes in the regulatory or economic environment of the asset. Gross realized gains and losses on sales of short-term investments are included in interest income. Realized gains and losses for the periods presented were not significant.

Investments that we have classified as short-term, by security type, are as follows (*in thousands*):

	September 26, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Foreign government security	\$ 465	\$ -	\$ -	\$ 465
Bank certificates of deposit	1,002	-	-	1,002
	<u>\$ 1,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,467</u>

	December 27, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Municipal securities	\$ 155	\$ -	\$ -	\$ 155
Bank certificates of deposit	1,000	-	-	1,000
	<u>\$ 1,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,155</u>

Effective maturities of short-term investments are as follows (*in thousands*):

	September 26, 2015		December 27, 2014	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 1,467	\$ 1,467	\$ 1,155	\$ 1,155

Accounting standards pertaining to fair value measurements establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. When available, we use quoted market prices to determine the fair value of our investments, and they are included in Level 1. When quoted market prices are unobservable, we use quotes from independent pricing vendors based on recent trading activity and other relevant information, and they are included in Level 2.

Cohu, Inc.
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The following table summarizes, by major security type, our financial instruments that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy (in thousands):

Fair value measurements at September 26, 2015 using:				
	Level 1	Level 2	Level 3	Total estimated fair value
Cash	\$ 84,642	\$ -	\$ -	\$ 84,642
Money market funds	-	4,618	-	4,618
Bank certificates of deposit	-	1,002	-	1,002
Foreign government security	-	465	-	465
	<u>\$ 84,642</u>	<u>\$ 6,085</u>	<u>\$ -</u>	<u>\$ 90,727</u>

Fair value measurements at December 27, 2014 using:				
	Level 1	Level 2	Level 3	Total estimated fair value
Cash	\$ 66,467	\$ -	\$ -	\$ 66,467
Municipal securities	-	155	-	155
Money market funds	-	4,418	-	4,418
Bank certificates of deposit	-	1,000	-	1,000
	<u>\$ 66,467</u>	<u>\$ 5,573</u>	<u>\$ -</u>	<u>\$ 72,040</u>

5. Employee Stock Benefit Plans

Our 2005 Equity Incentive Plan (the "2005 Plan") is a broad-based, long-term retention program intended to attract, motivate, and retain talented employees as well as align stockholder and employee interests. Awards that may be granted under the program include, but are not limited to, non-qualified and incentive stock options, restricted stock units, and performance-based stock units. We settle employee stock option exercises, employee stock purchase plan purchases, and the vesting of restricted stock units, and performance-based stock units with newly issued common shares. On May 12, 2015, our stockholders approved an amendment to the 2005 Plan which increased the number of shares that may be issued under the 2005 Plan by 1,500,000 shares. Subsequent to this amendment, at September 26, 2015, there were 2,257,363 shares available for future equity grants under the 2005 Equity Incentive Plan.

Stock Options

Stock options may be granted to employees, consultants and directors to purchase a fixed number of shares of our common stock. The exercise prices of options granted are at least equal to the fair market value of our common stock on the dates of grant and options generally vest and become exercisable after one year or in four annual increments beginning one year after the date of grant. Stock options granted under the program have a maximum contractual term of ten years.

At September 26, 2015, we had 2,031,539 stock options outstanding. These options had a weighted-average exercise price of \$11.20 per share, an aggregate intrinsic value of approximately \$1.3 million and the weighted average remaining contractual term was approximately 4.7 years.

At September 26, 2015, we had 1,720,111 stock options outstanding that were exercisable. These options had a weighted-average exercise price of \$11.43 per share, an aggregate intrinsic value of \$1.2 million and the weighted average remaining contractual term was approximately 4.2 years.

Restricted Stock Units

We issue restricted stock units to certain employees, consultants and directors. Restricted stock units vest over either a one-year or a four-year period from the date of grant. Prior to vesting, restricted stock units do not have dividend equivalent rights, do not have voting rights and the shares underlying the restricted stock units are not considered issued and outstanding.

In the nine months ended September 26, 2015, we awarded restricted stock units covering 482,101 shares of our common stock to employees and at September 26, 2015, we had 1,097,429 restricted stock units outstanding with an aggregate intrinsic value of approximately \$10.6 million and the weighted average remaining vesting period was approximately 1.4 years.

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Equity-Based Performance Stock Units

In March 2012, we began granting equity-based performance units covering shares of our common stock to certain employees. The number of shares of stock ultimately issued will depend upon the extent to which certain financial performance goals set by our Board of Directors are met during the one-year award measurement period. Based upon the level of achievement of performance goals the number of shares we ultimately issue can range from 0% up to 150% of the number of shares under each grant which vest over 3 years from the date of initial grant. In 2014, we began awarding equity-based performance stock units to senior executives with vesting that is contingent on the level of achievement of certain performance goals, market return and continued service ("market-based PSUs") and in 2015, the market-based PSUs granted are only subject to certain adjustments resulting from performance of Cohu's Relative Total Shareholder Return ("TSR") to a selected peer group over a two-year measurement period following the date of grant based on the percentage by which our TSR exceeds or falls below the selected peer group. Market-based PSUs earned will vest at the rate of 50% on the second and third anniversary of their grant. We estimated the fair value of market-based PSUs using a Monte Carlo simulation model on the date of grant. Compensation expense is recognized ratably over the measurement period of each vesting tranche based on our current assessment of achievement of the performance goals. New shares of our common stock will be issued on the date the equity-based performance units vest.

In the nine months ended September 26, 2015, we awarded 156,370 market-based performance stock units to senior executives, and at September 26, 2015, we had 376,374 PSUs and market based PSUs outstanding with an aggregate intrinsic value of approximately \$3.6 million and the weighted average remaining vesting period was approximately 1.3 years.

Employee Stock Purchase Plan (ESPP)

The Cohu, Inc. 1997 Employee Stock Purchase Plan ("the Plan") provides for the issuance of shares of our common stock. Under the Plan, eligible employees may purchase shares of Cohu common stock through payroll deductions at a price equal to 85 percent of the lower of the fair market value of Cohu common stock at the beginning or end of each 6-month purchase period, subject to certain limits. On May 12, 2015 our stockholders approved an amendment to the Plan which increased the number of shares that may be issued under the Plan by 750,000 shares. During the three-month period ended September 26, 2015, no shares of our common stock were sold to our employees under the Plan leaving 864,321 shares available for future issuance.

6. Income Taxes

Ordinarily, interim tax provisions are calculated using the estimated effective tax rate ("ETR") expected to be applicable for the full fiscal year. However, when a reliable estimate of the annual ETR cannot be made, the actual ETR for the year-to-date period may be the best estimate of the annual ETR. For the three and nine months ended September 26, 2015 and September 27, 2014, we used the actual year-to-date ETR in computing our tax provision, as a reliable estimate of the annual ETR cannot be made, since relatively small changes in our projected income produce a significant variation in our ETR. The actual year-to-date ETR on income from continuing operations for the three months ended September 26, 2015 and September 27, 2014, was 41.3% and 16.7%, respectively, and for the nine months ended September 26, 2015 and September 27, 2014 was 39.1% and 21.6%, respectively. The tax provision on income from continuing operations in 2015 and 2014 differs from the U.S. federal statutory rate primarily due to the lack of a provision (benefit) on our domestic income (losses) as a result of our valuation allowance on deferred tax assets, foreign income taxed at lower rates, changes in our deferred tax asset valuation allowance, state taxes and interest related to unrecognized tax benefits.

Other than for foreign currency exchange rate changes, there was no material change to our unrecognized tax benefits and interest accrued related to unrecognized tax benefits during the three or nine month periods ended September 26, 2015 and September 27, 2014.

Cohu, Inc.
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7. Contingencies

From time-to-time we are involved in various legal proceedings, examinations by various tax authorities and claims that have arisen in the ordinary course of our businesses. The outcome of any litigation is inherently uncertain. While there can be no assurance, we do not believe at the present time that the resolution of such matters will have a material adverse effect on our assets, financial position or results of operations.

8. Guarantees and Other Obligations

Product Warranty

Our products are generally sold with warranty periods that range from 12 to 36 months following sale or acceptance. Parts and labor are covered under the terms of the warranty agreement. The warranty provision is based on historical and projected experience by product and configuration. Changes in accrued warranty were as follows (*in thousands*):

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Balance at beginning of period	\$ 5,212	\$ 4,244	\$ 5,848	\$ 4,673
Warranty expense accruals	1,867	1,590	5,062	3,832
Warranty payments	(1,905)	(1,152)	(5,736)	(3,823)
Balance at end of period	<u>\$ 5,174</u>	<u>\$ 4,682</u>	<u>\$ 5,174</u>	<u>\$ 4,682</u>

Accrued warranty amounts expected to be incurred after one year are included in non-current other accrued liabilities in the condensed consolidated balance sheet. These amounts total \$1.2 million at September 26, 2015 and \$1.0 million at December 27, 2014. Prior-period long-term accrued warranty amounts have been reclassified to a long term liability in the December 31, 2014 balance sheet to conform to the current period presentation. This reclassification had no effect on previously reported net income and is considered immaterial.

Standby Letters of Credit

From time-to-time, during the ordinary course of business, we provide standby letters of credit for certain contingent liabilities under contractual arrangements, including customer contracts. As of September 26, 2015, the maximum potential amount of future payments that Cohu could be required to make under these standby letters of credit was approximately \$0.2 million. We have not recorded any liability in connection with these guarantee arrangements beyond that required to appropriately account for the underlying transaction being guaranteed. We do not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid under these arrangements.

9. Facility Sale

On September 21, 2015, we entered into an agreement and opened escrow for the sale of our headquarters facility located in Poway, California (the "Poway Facility") for \$34.3 million. The transaction is subject to completion of customary closing conditions and is expected to be completed in the fourth quarter of 2015.

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This Form 10-Q contains certain forward-looking statements including expectations of market conditions, challenges and plans, within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and is subject to the Safe Harbor provisions created by that statute. Such forward-looking statements are based on management's current expectations and beliefs, including estimates and projections about our business and include, but are not limited to, statements concerning financial position, business strategy, and plans or objectives for future operations. Forward-looking statements are not guarantees of future performance, and are subject to certain risks, uncertainties, and assumptions that are difficult to predict and may cause actual results to differ materially from management's current expectations. Such risks and uncertainties include those set forth in this Quarterly Report on Form 10-Q and our 2014 Annual Report on Form 10-K under the heading "Item 1A. Risk Factors". The forward-looking statements in this report speak only as of the time they are made, and do not necessarily reflect management's outlook at any other point in time. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or for any other reason, however, readers should carefully review the risk factors set forth in other reports or documents we file from time to time with the SEC after the date of this Quarterly Report.

OVERVIEW

Cohu is a leading supplier of semiconductor test and inspection handlers, micro-electro mechanical system (MEMS) test modules, test contactors and thermal sub-systems used by global semiconductor manufacturers and test subcontractors. Our business is significantly dependent on capital expenditures by semiconductor manufacturers and test subcontractors, which in turn is dependent on the current and anticipated market demand for semiconductors that is subject to cyclical trends. We expect that the semiconductor equipment industry will continue to be cyclical and volatile in part because consumer electronics, the principal end market for integrated circuits, is a highly dynamic industry and demand is difficult to accurately predict.

Orders for semiconductor test and assembly equipment as reported by Semiconductor Equipment and Materials International (SEMI) reached a plateau in April 2015 and the global demand for back-end equipment was down sequentially in the third quarter of 2015. We monitor back-end equipment utilization on our customers' test floors and current back-end equipment utilization is below the level that typically triggers capacity additions. However, we are encouraged by what we consider to be relatively high levels of utilization at our integrated device manufacturer (IDM) customers. We believe the current slowdown is a momentary pause in the market as customers digest the significant test capacity added in 2014. Additionally, some customers are being cautious due to macro-economic environment uncertainty in Europe and China that impacts consumer confidence and spending. Despite the near term market softness, we remain optimistic about the long-term prospects for the semiconductor equipment industry due to the increasing technological functionality of mobile devices, growing integrated circuit content in automotive, consumer and industrial applications, and the projected adoption of high brightness LEDs in general lighting. We are focused on working to gain market share and to expand into the adjacent test contactor and wafer level package (WLP) probing markets.

Application of Critical Accounting Estimates and Policies

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We base our estimates on historical experience, forecasts and on various other assumptions that are believed to be reasonable under the circumstances, however actual results may differ from those estimates under different assumptions or conditions. The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our financial statements. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain.

Our critical accounting estimates that we believe are the most important to an investor's understanding of our financial results and condition and require complex management judgment include:

- revenue recognition, including the deferral of revenue on sales to customers, which impacts our results of operations;
- estimation of valuation allowances and accrued liabilities, specifically product warranty, inventory reserves and allowance for bad debts, which impact gross margin or operating expenses;
- the recognition and measurement of current and deferred income tax assets and liabilities, unrecognized tax benefits and the valuation allowance on deferred tax assets, which impact our tax provision;
- the assessment of recoverability of long-lived assets including goodwill and other intangible assets, which primarily impacts gross margin or operating expenses if we are required to record impairments of assets or accelerate their depreciation or amortization; and
- the valuation and recognition of share-based compensation, which impacts gross margin, research and development expense, and selling, general and administrative expense.

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Below, we discuss these policies further, as well as the estimates and judgments involved. We also have other policies that we consider key accounting policies; however, these policies typically do not require us to make estimates or judgments that are difficult or subjective.

Revenue Recognition: We generally recognize revenue upon shipment and title passage for established products (i.e., those that have previously satisfied customer acceptance requirements) that provide for full payment tied to shipment. Revenue for products that have not previously satisfied customer acceptance requirements or from sales where customer payment dates are not determinable is recognized upon customer acceptance. In certain instances, customer payment terms may provide that a minority portion (e.g. 20%) of the equipment purchase price be paid only upon customer acceptance. In those situations, the majority portion (e.g. 80%) of revenue where payment is tied to shipment and the entire product cost of sale are recognized upon shipment and passage of title and the minority portion of the purchase price related to customer acceptance is deferred and recognized upon receipt of customer acceptance. For arrangements containing multiple elements the revenue relating to the undelivered elements is deferred using the relative selling price method utilizing estimated sales prices until delivery of the deferred elements. We limit the amount of revenue recognition for delivered elements to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or adjustment. On shipments where sales are not recognized, gross profit is generally recorded as deferred profit in our consolidated balance sheet representing the difference between the receivable recorded and the inventory shipped.

Accounts Receivable: We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers deteriorates, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventory: The valuation of inventory requires us to estimate obsolete or excess inventory as well as inventory that is not of saleable quality. The determination of obsolete or excess inventory requires us to estimate the future demand for our products. The demand forecast is a direct input in the development of our short-term manufacturing plans. We record valuation reserves on our inventory for estimated excess and obsolete inventory and lower of cost or market concerns equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future product demand, market conditions and product selling prices. If future product demand, market conditions or product selling prices are less than those projected by management or if continued modifications to products are required to meet specifications or other customer requirements, increases to inventory reserves may be required which would have a negative impact on our gross margin.

Income Taxes: We estimate our liability for income taxes based on the various jurisdictions where we conduct business. This requires us to estimate our (i) current taxes; (ii) temporary differences that result from differing treatment of certain items for tax and accounting purposes and (iii) unrecognized tax benefits. Temporary differences result in deferred tax assets and liabilities that are reflected in the consolidated balance sheet. The deferred tax assets are reduced by a valuation allowance if, based upon all available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Establishing, reducing or increasing a valuation allowance in an accounting period generally results in an increase or decrease in tax expense in the statement of operations. We must make significant judgments to determine the provision for income taxes, deferred tax assets and liabilities, unrecognized tax benefits and any valuation allowance to be recorded against deferred tax assets. Our gross deferred tax asset balance as of September 26, 2015 was approximately \$48.6 million, with a valuation allowance of approximately \$42.5 million. Our deferred tax assets consist primarily of reserves and accruals that are not yet deductible for tax and tax credit and net operating loss carryforwards.

Goodwill, Other Intangible Assets and Long-lived Assets: We evaluate goodwill for impairment annually and when an event occurs or circumstances change that indicate that the carrying value may not be recoverable. We test goodwill for impairment by first comparing the book value of net assets to the fair value of the reporting units. If the fair value is determined to be less than the book value, a second step is performed to compute the amount of impairment as the difference between the estimated fair value of goodwill and the carrying value. We estimated the fair values of our reporting units primarily using the income approach valuation methodology that includes the discounted cash flow method, taking into consideration the market approach and certain market multiples as a validation of the values derived using the discounted cash flow methodology. Forecasts of future cash flows are based on our best estimate of future net sales and operating expenses, based primarily on customer forecasts, industry trade organization data and general economic conditions.

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We conduct our annual goodwill impairment test as of October 1st of each year. As of October 1, 2014, we concluded there was no impairment as the estimated fair value of our reporting unit exceeded its carrying values by approximately 35%.

Previously, it has been our determination that the Rasco and Ismecca trade names had an indefinite life. On September 24, 2015, we introduced a rebranding initiative and unveiled a new "Cohu" logo. The primary goal of the change was to improve the cohesiveness of our organization and come to the market as one brand. The Rasco and Ismecca trade names have value associated with their long established identities and reputation within the back-end test and assembly equipment market and continuing to utilize the value of these brand identities is an integral part of our strategy.

We review the assessment of indefinite life for our trade names each period to determine whether the indefinite life assumption continues to be supportable. If it is deemed unsupported the change in useful life from indefinite to finite is made and amortization is recognized on a prospective basis. As a result of the rebranding initiative, we determined that the classification of the useful life of our trade names as indefinite was no longer appropriate based on our expectations of the future period over which they will provide economic benefit to Cohu. When an intangible asset that is not being amortized is subsequently determined to have a finite useful life there is a requirement for the asset to be tested for impairment in accordance with ASC 350, "Intangibles - Goodwill and Other". We have completed an interim impairment assessment that indicates the fair value of the Rasco and Ismecca trade names, as of September 24, 2015, exceed their carrying values by 4% and 17%, respectively.

We believe the assumptions used in the interim impairment analysis are reasonable. However, the analysis is sensitive to adverse changes in the assumptions used in the valuations. In particular, changes in the projected cash flows, discount rates, royalty rates and other market based assumptions could produce significantly different results for the impairment analysis which could result in future impairment charges.

Long-lived assets, other than goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. For long-lived assets, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted, probability-weighted future cash flows. We measure the impairment loss based on the difference between the asset's carrying amount and estimated fair value.

Warranty: We provide for the estimated costs of product warranties in the period sales are recognized. Our warranty obligation estimates are affected by historical product shipment levels, product performance and material and labor costs incurred in correcting product performance problems. Should product performance, material usage or labor repair costs differ from our estimates, revisions to the estimated warranty liability would be required.

Contingencies: We are subject to certain contingencies that arise in the ordinary course of our businesses which require us to assess the likelihood that future events will confirm the existence of a loss or an impairment of an asset. If a loss or asset impairment is probable and the amount of the loss or impairment is reasonably estimable, we accrue a charge to operations in the period such conditions become known.

Share-based Compensation: Share-based compensation expense related to stock options is recorded based on the fair value of the award on its grant date, which we estimate using the Black-Scholes valuation model. Share-based compensation expense related to restricted stock unit awards is calculated based on the market price of our common stock on the grant date, reduced by the present value of dividends expected to be paid on our common stock prior to vesting of the restricted stock unit. Share-based compensation on performance stock units with market-based goals is calculated using a Monte Carlo simulation model on the date of the grant.

Recent Accounting Pronouncements

For a description of accounting changes and recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements, see Note 1, "Recent Accounting Pronouncements" in Part I, Item 1 of this Form 10-Q.

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RESULTS OF OPERATIONS

In June 2015, we sold our mobile microwave communications equipment business and in June 2014, we sold our video camera business. The operating results of these businesses are being presented as discontinued operations and all prior period amounts have been reclassified. Unless otherwise indicated the discussion below covers the comparative results from continuing operations.

The following table summarizes certain operating data as a percentage of net sales:

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	(66.2)%	(64.0)%	(66.7)%	(65.8)%
Gross margin	33.8%	36.0%	33.3%	34.2%
Research and development	(12.7)%	(9.4)%	(12.1)%	(11.9)%
Selling, general and administrative	(17.7)%	(13.5)%	(18.4)%	(16.9)%
Income from operations	3.4%	13.1%	2.8%	5.4%

Third Quarter of Fiscal 2015 Compared to Third Quarter of Fiscal 2014

Net Sales

Our sales decreased 26.3% to \$67.5 million in 2015, compared to net sales of \$91.6 million in 2014. Global demand for back-end semiconductor test and assembly equipment is highly cyclical. In April 2015, global orders for back-end equipment reached a plateau and consistent with the broader market, our equipment sales were down year-over-year. We believe the slowdown in demand is a momentary pause in the market as our customers digest the significant test capacity added in 2014.

Gross Margin

Gross margin consists of net sales less cost of sales. Cost of sales consists primarily of the materials, assembly and test labor and overhead from operations. Our gross margin can fluctuate due to a number of factors, including, but not limited to, the mix of products sold, product support costs, increase to inventory reserves or the sale of previously reserved inventory and utilization of manufacturing capacity. Our gross margin, as a percentage of net sales, decreased to 33.8% in 2015 from 36.0% in 2014. Despite lower charges for excess and obsolete inventory in 2015, our gross margin decreased year-over-year as lower business volume did not allow us to generate the same operating leverage as 2014.

We compute the majority of our excess and obsolete inventory reserve requirements using a one-year inventory usage forecast. In the third quarter of 2015 we recorded charges to cost of sales of \$0.7 million for excess and obsolete inventory. In the third quarter of 2014, we recorded charges of approximately \$1.2 million. While we believe our reserves for excess and obsolete inventory and lower of cost or market concerns are adequate to cover known exposures at September 26, 2015, reductions in customer forecasts or continued modifications to products, as a result of our failure to meet specifications or other customer requirements, may result in additional charges to operations that could negatively impact our gross margin in future periods.

Research and Development Expense ("R&D Expense")

R&D expense consists primarily of salaries and related costs of employees engaged in ongoing research, product design and development activities, costs of engineering materials and supplies and professional consulting expenses. R&D expense was \$8.6 million in both 2015 and 2014 representing 12.7% and 9.4% of net sales, respectively. R&D costs increased as a percentage of net sales in 2015 as a result of lower sales.

Selling, General and Administrative Expense ("SG&A Expense")

SG&A expense consists primarily of salaries and benefit costs of employees, commission expense for independent sales representatives, product promotion and costs of professional services. SG&A expense was \$11.9 million or 17.7% in 2015, compared to \$12.4 million or 13.5% in 2014. In 2015, as a result of the strengthening of the U.S. Dollar primarily against the Swiss Franc and Malaysian Ringgit, we recorded \$1.5 million of translation gains in the third quarter of 2015. During the corresponding period of 2014 the strengthening of the U.S. Dollar against the Euro and the Swiss Franc resulted in foreign currency translation gains of \$1.0 million.

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Income Taxes

Ordinarily, interim tax provisions are calculated using the estimated effective tax rate ("ETR") expected to be applicable for the full fiscal year. However, when a reliable estimate of the annual ETR cannot be made, the actual ETR for the year-to-date period may be the best estimate of the annual ETR. For the three months ended September 26, 2015 and September 27, 2014 we used the actual year-to-date ETR in computing our tax provision, as a reliable estimate of the annual ETR cannot be made, since relatively small changes in our projected income produce a significant variation in our ETR. The actual year-to-date ETR on income from continuing operations for the three months ended September 26, 2015 and September 27, 2014, was 41.3% and 16.7%, respectively. The tax provision on income from continuing operations in 2015 and 2014 differs from the U.S. federal statutory rate primarily due to the lack of a provision (benefit) on our domestic income (losses) as a result of our valuation allowance on deferred tax assets, foreign income taxed at lower rates, changes in our deferred tax asset valuation allowance, state taxes and interest related to unrecognized tax benefits.

Other than for foreign currency exchange rate changes, there was no material change to our unrecognized tax benefits and interest accrued related to unrecognized tax benefits during the three months ended September 26, 2015.

Income from Continuing Operations and Net Income

As a result of the factors set forth above, our income from continuing operations was \$1.3 million in 2015, compared to \$10.0 million in 2014. Including the results of our discontinued mobile microwave communication equipment business, which included a loss on sale of \$0.2 million, our net income in the third fiscal quarter of 2015 was \$1.1 million. In 2014, which includes the results of both our discontinued businesses our net income was \$7.5 million.

First Nine Months of Fiscal 2015 Compared to First Nine Months of Fiscal 2014

Net Sales

Our consolidated net sales decreased 8.8% to \$206.2 million in 2015, compared to net sales of \$226.0 million in 2014. Global market demand for back-end semiconductor test and assembly equipment is highly cyclical and after adding significant test capacity in 2014, consistent with the broader market, our sales of equipment declined year-over-year.

Gross Margin

Our gross margin, as a percentage of net sales, decreased to 33.3% in 2015 from 34.2% in 2014. Current year gross margin benefited from lower charges for excess and obsolete inventory and lower amortization of purchased intangibles but overall our gross margin in 2015 was lower as it was unfavorably impacted by lower business volume and product mix.

During the first nine months of fiscal 2015 and 2014 we recorded net charges to cost of sales of approximately \$1.9 million and \$3.5 million, respectively, for excess and obsolete inventory.

R&D Expense

R&D expense was \$24.9 million or 12.1% of net sales in 2015, compared to \$26.9 million or 11.9% in 2014. Lower R&D spending during the first nine months of 2015 resulted from the completion of certain development programs, as planned, and headcount reductions made in 2015.

SG&A Expense

SG&A expense was \$38.0 million or 18.4% of net sales in 2015, compared to \$38.2 million or 16.9% in 2014. SG&A expense in the first nine months of 2015 benefitted from the strengthening of the U.S. Dollar primarily against the Swiss Franc which resulted in the recognition of \$1.1 million in foreign currency translation gains. The impact of foreign currency translation in the corresponding period of 2014 was a gain of \$0.9 million. In 2015, we incurred \$0.5 million of costs in connection with transitioning our manufacturing to Asia and employee severance. In the first nine months of 2014 we incurred \$1.2 million of manufacturing transition and severance costs. The first nine months of 2015 includes the periodic recognition of an additional \$0.9 million of employee share based compensation expense. This amount was driven primarily by the number of employee stock options and restricted and performance share awards subject to vesting during the period and the corresponding valuation established on the date of grant.

Income Taxes

For the nine months ended September 26, 2015 and September 27, 2014, we used the actual year-to-date ETR in computing our tax provision, as a reliable estimate of the annual ETR cannot be made, since relatively small changes in our projected income produce a significant variation in our ETR. The actual year-to-date ETR on income from continuing operations for the nine months ended September 26, 2015 and September 27, 2014, was 39.1% and 21.6%, respectively. The tax provision on income from continuing operations in 2015 and 2014 differs from the U.S. federal statutory rate primarily due to the lack of a provision (benefit) on our domestic income (losses) as a result of our valuation allowance on deferred tax assets, foreign income taxed at lower rates, changes in our deferred tax asset valuation allowance, state taxes and interest related to unrecognized tax benefits.

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Other than for foreign currency exchange rate changes, there was no material change to our unrecognized tax benefits and interest accrued related to unrecognized tax benefits during the nine months ended September 26, 2015.

Income from Continuing Operations and Net Income

As a result of the factors set forth above, our income from continuing operations was \$3.5 million in 2015 compared to \$9.5 million in 2014. Including the results of our discontinued mobile microwave communication equipment business, which included a loss on sale of \$3.2 million, we generated a net loss of \$1.7 million in 2015. In 2014, which includes the results of both our discontinued businesses and a \$4.1 million gain from the sale of Cohu Electronics, our net income was \$8.3 million.

LIQUIDITY AND CAPITAL RESOURCES

Our primary business is dependent on capital expenditures by semiconductor manufacturers and test subcontractors that are, in turn, dependent on the current and anticipated market demand for semiconductors. The cyclical and volatile nature of demand for semiconductor equipment, our primary industry, makes estimates of future revenues, results of operations and net cash flows difficult.

Our primary historical source of liquidity and capital resources has been cash flow generated by our operations and we manage our business to maximize operating cash flows as our primary source of liquidity. We use cash to fund growth in our operating assets and to fund new products and product enhancements primarily through research and development. As of September 26, 2015, \$64.5 million of our cash and cash equivalents and short term-investments was held by our foreign subsidiaries. If these funds are needed for our operations in the U.S., we may be required to accrue and pay U.S. taxes if we repatriate these funds. Our intent is to indefinitely reinvest these funds in our foreign operations and we have no current plans that would require us to repatriate these funds to the U.S.

On September 21, 2015, we entered into an agreement and opened escrow for the sale of our Poway Facility for \$34.3 million. The transaction is subject to completion of customary closing conditions and is expected to be completed in the fourth quarter of 2015. However, there can be no assurance that the proposed transaction will close as scheduled, or at all. Should the transaction close, we anticipate entering into a ten-year lease with the buyer for a portion of the Poway Facility, enabling us to continue to operate at our current location. The transaction allows us to reduce the utilized space within the Poway Facility to better fit our current needs, as we have transitioned a significant portion of our manufacturing activities to Asia.

Liquidity

Working Capital: The following summarizes our cash, cash equivalents, short-term investments and working capital:

<i>(in thousands)</i>	September 26, 2015	December 27, 2014	Increase (Decrease)	Percentage Change
Cash, cash equivalents and short-term investments	\$ 90,727	\$ 72,040	\$ 18,687	25.9%
Working capital	\$ 143,528	\$ 146,339	\$ (2,811)	(1.9)%

Cash Flows

Operating Activities: Operating cash flows for the first nine months of fiscal 2015 consist of our net loss, adjusted for non-cash expenses and changes in operating assets and liabilities. Non-cash items include asset impairment charges, depreciation and amortization, non-cash share-based compensation expense and deferred income taxes. Our net cash provided by operating activities in the first nine months of fiscal 2015 totaled \$24.6 million. Cash provided by operating activities was impacted by changes in current assets and liabilities and, excluding the impact of the disposal of BMS, included decreases in accounts receivable of \$12.9 million and accrued compensation, warranty and other liabilities of \$3.2 million, other current assets of \$2.9 million, deferred profit of \$1.1 million and increases in inventory of \$5.3 million, accounts payable of \$2.2 million and income taxes payable of \$1.8 million. The decrease in accounts receivable resulted from lower business volume in the first nine months of fiscal 2015 and the timing of our cash conversion cycle. Accrued compensation, warranty and other liabilities decreased as a result of lower business volume. Other current assets decreased as a result of utilization of supplier and vendor prepayments and the decrease in deferred profit is a result of the recognition of revenue that was previously deferred in accordance with our revenue recognition policy. Material purchases made to fulfill customer orders for equipment expected to ship in future quarters led to an increase in our inventory balance and accounts payable increased as a result of the timing of cash payments made to our suppliers and vendors. Current year increase in business volume in certain foreign jurisdictions led to an increase in income taxes payable.

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Investing Activities: Investing cash flows consist primarily of cash used for capital expenditures in support of our businesses, proceeds from investment maturities, asset disposals and divestitures and cash used for purchases of investments and business acquisitions. Net cash provided by investing activities in the first nine months of fiscal 2015 totaled \$1.3 million and was driven primarily by \$5.3 million of cash received from the sale of BMS on June 10, 2015. The decision to sell BMS resulted from Cohu management's determination that this industry segment was no longer a strategic fit within our organization. Additions to property, plant and equipment of \$3.7 million were made to support the operating and development activities of our business.

Financing Activities: Cash flows from financing activities consist primarily of net proceeds from the issuance of common stock under our stock option and employee stock purchase plans and cash used to pay dividends to our stockholders. We issue stock options and maintain an employee stock purchase plan as components of our overall employee compensation. In the first nine months of fiscal 2015, we generated net cash of \$0.2 million issuing common stock under our employee stock plans and we paid dividends totaling \$4.6 million, or \$0.18 per common share. On October 27, 2015, Cohu's Board of Directors approved a quarterly cash dividend of \$0.06 per share payable on January 4, 2016 to shareholders of record on November 20, 2015. Future quarterly dividends are subject to our cash liquidity, capital availability and periodic determinations by our Board of Directors that cash dividends are in the best interests of our stockholders.

Capital Resources

We have a secured letter of credit facility (the "Secured Facility") under which Bank of America, N.A., has agreed to administer the issuance of letters of credit on our behalf. The Secured Facility requires us to maintain deposits of cash or other approved investments, which serve as collateral, in amounts that approximate our outstanding letters of credit. As of September 26, 2015, we had approximately \$0.2 million of standby letters of credit outstanding under the Secured Facility. We also have credit agreements with multiple financial institutions under which they administer lines of credit on behalf of our wholly owned Ismeca subsidiary. The agreements provide Ismeca with 2.5 million Swiss Francs of available credit and at September 26, 2015, no amounts were outstanding. We expect that we will continue to make capital expenditures to support our business and we anticipate that present working capital will be sufficient to meet our operating requirements for at least the next twelve months.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations: Our significant contractual obligations consist of liabilities for operating leases, unrecognized tax benefits, pensions, post-retirement benefits and warranties. These obligations have not changed materially from those disclosed in our Annual Report on Form 10-K for the year ended December 27, 2014.

Purchase Commitments: From time to time, we enter into commitments with our vendors and outsourcing partners to purchase inventory at fixed prices or in guaranteed quantities. We are not able to determine the aggregate amount of such purchase orders that represent contractual obligations, as purchase orders may represent authorizations to purchase rather than binding agreements. Our purchase orders are based on our current manufacturing needs and are fulfilled by our vendors within relatively short time horizons. We typically do not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed our expected requirements for the next three months.

Off-Balance Sheet Arrangements: During the ordinary course of business, we provide standby letters of credit instruments to certain parties as required. As of September 26, 2015, the maximum potential amount of future payments that we could be required to make under these standby letters of credit was approximately \$0.2 million. No liability has been recorded in connection with these arrangements beyond those required to appropriately account for the underlying transaction being guaranteed. We do not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid under these arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Investment and Interest Rate Risk.

At September 26, 2015, our investment portfolio included short-term, fixed-income investment securities with a fair value of approximately \$1.5 million. These securities are subject to interest rate risk and will likely decline in value if interest rates increase. Our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. As we classify our short-term securities as available-for-sale, no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary. Due to the relatively short duration of our investment portfolio, an immediate ten percent change in interest rates would have no material impact on our financial condition or results of operations.

We evaluate our investments periodically for possible other-than-temporary impairment by reviewing factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer and our ability and intent to hold the investment for a period of time sufficient for anticipated recovery of market value. As of September 26, 2015, we had no investments with loss positions.

Foreign Currency Exchange Risk.

We have operations in several foreign countries and conduct business in the local currency in these countries. As a result, we have risk associated with currency fluctuations as the value of foreign currencies fluctuate against the U.S. Dollar, in particular the Swiss Franc, Euro, Malaysian Ringgit, Chinese Yuan and Philippine Peso. These fluctuations can impact our reported earnings.

Fluctuations in currency exchange rates also impact the U.S. Dollar amount of our net investment in foreign operations. The assets and liabilities of our foreign subsidiaries are translated into U.S. Dollars at the exchange rates in effect at the fiscal year-end balance sheet date. Income and expense accounts are translated at an average exchange rate during the year which approximates the rates in effect at the transaction dates. The resulting translation adjustments are recorded in stockholders' equity as a component of accumulated other comprehensive income. As a result of fluctuations in certain foreign currency exchange rates in relation to the U.S. Dollar as of September 26, 2015 compared to December 27, 2014, our stockholders' equity decreased by \$9.8 million.

Based upon the current levels of net foreign assets, a hypothetical 10% devaluation of the U.S. Dollar as compared to these currencies as of September 26, 2015 would result in an approximate \$14.0 million positive translation adjustment recorded in other comprehensive income within stockholders' equity. Conversely, a hypothetical 10% appreciation of the U.S. Dollar as compared to these currencies as of September 26, 2015 would result in an approximate \$14.0 million negative translation adjustment recorded in other comprehensive income within stockholders' equity.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

(b) Changes in Internal Controls. There have been no changes in our internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect our internal control over financial reporting.

Part II OTHER INFORMATION

Item 1. Legal Proceedings.

The information set forth above under Note 7 contained in the "Notes to Unaudited Condensed Consolidated Financial Statements" of this Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors.

The risks described below may not be the only risks we face. Additional risks that we do not currently believe are material may also impair our business operations. The risk factors set forth below with an asterisk () next to the title contain changes to the description of the risk factors associated with our business as previously disclosed in Item 1A to our 2014 Annual Report on Form 10-K. If any of the events or circumstances described in the following risks occur, our business, financial condition, results of operations or cash flows could suffer, and the trading price of our common stock and our market capitalization could decline.*

*** We are making investments in new products to enter new markets, which may adversely affect our operating results; these investments may not be successful.**

Given the highly competitive and rapidly evolving technology environment we operate within, we believe it is important to develop new product offerings to meet strategic opportunities as they evolve. This includes developing products that we believe are necessary to meet the future needs of the marketplace. We are currently investing in new product development programs to enable us to compete in the test contactor and wafer level package (WLP) probing markets. We expect to continue to make investments and we may at any time, based on product need or marketplace demand, decide to significantly increase our product development expenditures in these or other products. Investments in new product offerings can have a negative impact on our operating results and there can be no assurance that any new products we develop will be accepted in the marketplace or generate material revenues for us.

*** We are exposed to risks associated with acquisitions, investments and divestitures.**

We have made, and may in the future make, acquisitions of, or significant investments in, businesses with complementary products, services and/or technologies. Acquisitions and investments involve numerous risks, including, but not limited to:

- difficulties and increased costs in connection with integration of the personnel, operations, technologies and products of acquired businesses;
- increasing the scope, geographic diversity and complexity of our business;
- diversion of management's attention from other operational matters;
- the potential loss of key employees or customers of Cohu or acquired businesses;
- lack of synergy, or the inability to realize expected synergies, resulting from the acquisition;
- failure to commercialize purchased technology; and
- the impairment of acquired intangible assets and goodwill that could result in significant charges to operating results in future periods.

We may be required to finance future acquisitions and investments through a combination of borrowings, proceeds from equity or debt offerings and the use of cash, cash equivalents and short-term investments.

With respect to divestitures, we may divest businesses or assets that do not meet our strategic objectives, or do not meet our growth or profitability targets and may not be able to complete proposed divestitures on terms commercially favorable to us.

Mergers, acquisitions and investments are inherently risky and the inability to effectively manage these risks could materially and adversely affect our business, financial condition and results of operations. At September 26, 2015 we had goodwill and net purchased intangible assets balances of \$60.9 million and \$27.4 million, respectively.

We are exposed to the risks of operating a global business.

We are a global corporation with offices and subsidiaries in certain foreign locations to support our sales and services to the global semiconductor industry and, as such, we face risks in doing business abroad that we do not face domestically. Certain aspects inherent in transacting business internationally could negatively impact our operating results, including:

- costs and difficulties in staffing and managing international operations;
- unexpected changes in regulatory requirements;
- difficulties in enforcing contractual and intellectual property rights;
- longer payment cycles;
- local political and economic conditions;
- potentially adverse tax consequences, including restrictions on repatriating earnings and the threat of “double taxation”; and
- fluctuations in currency exchange rates, which can affect demand and increase our costs.

Additionally, managing geographically dispersed operations presents difficult challenges associated with organizational alignment and infrastructure, communications and information technology, inventory control, customer relationship management, terrorist threats and related security matters and cultural diversities. If we are unsuccessful in managing such operations effectively, our business and results of operations will be adversely affected.

We are in the process of transitioning our manufacturing to Asia. Our inability to manage multiple manufacturing sites during this transition and secure raw materials meeting our quality, cost and other requirements, or failures by our suppliers to perform, could harm our sales, service levels and reputation.

Our reliance on overseas manufacturers exposes us to significant risks including complex management, foreign currency, legal, tax and economic risks, which we may not be able to address quickly and adequately. In addition, it is time consuming and costly to qualify overseas supplier relationships. Therefore, if we should fail to effectively manage overseas manufacturing operations or if one or more of them should experience delays, disruptions or quality control problems, or if we had to change or add additional manufacturing sites, our ability to ship products to our customers could be delayed. Also, the addition of overseas manufacturing locations increases the demands on our administrative and operations infrastructure and the complexity of our supply chain management. If our overseas manufacturing locations are unable to meet our manufacturing requirements in a timely manner, our ability to ship products and to realize the related revenues when anticipated could be materially affected.

Our suppliers are subject to the fluctuations in general economic cycles, and the global economic conditions may impact their ability to operate their business. They may also be impacted by the increasing costs of raw materials, labor and distribution, resulting in demands for less attractive contract terms or an inability for them to meet our requirements or conduct their own businesses. The performance and financial condition of a supplier may cause us to alter our business terms or to cease doing business with a particular supplier, or change our sourcing practices generally, which could in turn adversely affect our own business and financial condition.

The semiconductor industry we serve is highly volatile and unpredictable.

Visibility into our markets is limited. Our operating results are substantially dependent on our semiconductor equipment business. This capital equipment business is in turn highly dependent on the overall strength of the semiconductor industry. Historically, the semiconductor industry has been highly cyclical with recurring periods of oversupply and excess capacity, which often have had a significant effect on the semiconductor industry’s demand for capital equipment, including equipment of the type we manufacture and market. We anticipate that the markets for newer generations of semiconductors and semiconductor equipment may also be subject to similar cycles and severe downturns. Any significant reductions in capital equipment investment by semiconductor integrated device manufacturers and test subcontractors will materially and adversely affect our business, financial position and results of operations. In addition, the volatile and unpredictable nature of semiconductor equipment demand has in the past and may in the future expose us to significant excess and obsolete and lower of cost or market inventory write-offs and reserve requirements. In 2014, 2013 and 2012, we recorded pre-tax inventory-related charges of approximately \$3.9 million, \$7.8 million, and \$8.6 million, respectively, primarily as a result of changes in customer forecasts.

Due to the nature of our business, we need continued access to capital, which if not available to us or if not available on favorable terms, could harm our ability to operate or expand our business.

Our business requires capital to finance accounts receivable and product inventory that is not financed by trade creditors when our business is expanding. If cash from available sources is insufficient or cash is used for unanticipated needs, we may require additional capital sooner than anticipated.

We believe that our existing sources of liquidity, including cash resources and cash provided by operating activities will provide sufficient resources to meet our working capital and cash requirements for at least the next twelve months. In the event we are required, or elect, to raise additional funds, we may be unable to do so on favorable terms, or at all, and may incur expenses in raising the additional funds and future indebtedness could adversely affect our operating results and severely limit our ability to plan for, or react to, changes in our business or industry. We could also be limited by financial and other restrictive covenants in credit arrangements, including limitations on our borrowing of additional funds and issuing dividends. If we choose to issue new equity securities, existing stockholders may experience dilution, or the new equity securities may have rights, preferences or privileges senior to those of existing holders of common stock. If we cannot raise funds on acceptable terms, we may not be able to take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. Any inability to raise additional capital when required could have an adverse effect on our business and operating results.

The semiconductor equipment industry in general and the test handler market in particular, is highly competitive.

The semiconductor test handler industry is intensely competitive and we face substantial competition from numerous companies throughout the world. The test handler industry, while relatively small in terms of worldwide market size compared to other segments of the semiconductor equipment industry, has several participants resulting in intense competitive pricing pressures. Future competition may include companies that do not currently supply test handlers. Some of our competitors are part of larger corporations that have substantially greater financial, engineering, manufacturing and customer support capabilities and provide more extensive product offerings. In addition, there are emerging semiconductor equipment companies that provide or may provide innovative technology incorporated in products that may compete successfully against our products. We expect our competitors to continue to improve the design and performance of their current products and introduce new products with improved performance capabilities. Our failure to introduce new products in a timely manner, the introduction by our competitors of products with perceived or actual advantages, or disputes over rights to use certain intellectual property or technology could result in a loss of our competitive position and reduced sales of, or margins on our existing products. We believe that competitive conditions in the semiconductor test handler market have intensified over the last several years. This intense competition has adversely impacted our product average selling prices and gross margins on certain products. If we are unable to reduce the cost of our existing products and successfully introduce new lower cost products we expect these competitive conditions to negatively impact our gross margin and operating results in the foreseeable future.

Semiconductor equipment is subject to rapid technological change, product introductions and transitions which may result in inventory write-offs, and our new product development involves numerous risks and uncertainties.

Semiconductor equipment and processes are subject to rapid technological change. We believe that our future success will depend in part on our ability to enhance existing products and develop new products with improved performance capabilities. We expect to continue to invest heavily in research and development and must manage product transitions successfully, as introductions of new products, including the products obtained in our acquisitions, may adversely impact sales and/or margins of existing products. In addition, the introduction of new products by us or by our competitors, the concentration of our revenues in a limited number of large customers, the migration to new semiconductor testing methodologies and the custom nature of our inventory parts increases the risk that our established products and related inventory may become obsolete, resulting in significant excess and obsolete inventory exposure. This increased exposure resulted in significant charges to operations during each of the years in the three-year period ended December 27, 2014. Future inventory write-offs and increased inventory reserve requirements could have a material adverse impact on our results of operations and financial condition.

The design, development, commercial introduction and manufacture of new semiconductor equipment is an inherently complex process that involves a number of risks and uncertainties. These risks include potential problems in meeting customer acceptance and performance requirements, integration of the equipment with other suppliers' equipment and the customers' manufacturing processes, transitioning from product development to volume manufacturing and the ability of the equipment to satisfy the semiconductor industry's constantly evolving needs and achieve commercial acceptance at prices that produce satisfactory profit margins. The design and development of new semiconductor equipment is heavily influenced by changes in integrated circuit assembly, test and final manufacturing processes and integrated circuit package design changes. We believe that the rate of change in such processes and integrated circuit packages is accelerating. As a result of these changes and other factors, assessing the market potential and commercial viability of handling, MEMS, system-level and burn-in test equipment is extremely difficult and subject to a great deal of risk. In addition, not all integrated circuit manufacturers employ the same manufacturing processes. Differences in such processes make it difficult to design standard test products that are capable of achieving broad market acceptance. As a result, we might not accurately assess the semiconductor industry's future equipment requirements and fail to design and develop products that meet such requirements and achieve market acceptance. Failure to accurately assess customer requirements and market trends for new semiconductor test products may have a material adverse impact on our operations, financial condition and results of operations.

The transition from product development to the manufacture of new semiconductor equipment is a difficult process and delays in product introductions and problems in manufacturing such equipment are common. We have in the past and may in the future experience difficulties in manufacturing and volume production of our new equipment. In addition, as is common with semiconductor equipment, our after sale support and warranty costs have typically been significantly higher with new products than with our established products. Future technologies, processes and product developments may render our current or future product offerings obsolete and we might not be able to develop, introduce and successfully manufacture new products or make enhancements to our existing products in a timely manner to satisfy customer requirements or achieve market acceptance. Furthermore, we might not realize acceptable profit margins on such products.

Global economic conditions may have an impact on our business and financial condition in ways that we currently cannot predict.

Our operations and financial results depend on worldwide economic conditions and their impact on levels of business spending, which have deteriorated significantly in many countries and regions and may remain depressed for the foreseeable future. Continued uncertainties may reduce future sales of our products and services. While we believe we have a strong customer base and have experienced strong collections in the past, if the current market conditions deteriorate, we may experience increased collection times and greater write-offs, either of which could have a material adverse effect on our cash flow.

In addition, the tightening of credit markets and concerns regarding the availability of credit may make it more difficult for our customers to raise capital, whether debt or equity, to finance their purchases of capital equipment, including the products we sell. Delays in our customers' ability to obtain such financing, or the unavailability of such financing would adversely affect our product sales and revenues and therefore harm our business and operating results. We cannot predict the timing, duration of or effect on our business of the economic slowdown or the timing or strength of a subsequent recovery.

**** A limited number of customers account for a substantial percentage of our net sales.***

A small number of customers have been responsible for a significant portion of our net sales. During the past five years, the percentage of our sales derived from these significant customers has varied greatly. Such variations are due to changes in the customers' business and their purchase of products from our competitors. It is common in the semiconductor test handler industry for customers to purchase equipment from more than one equipment supplier, increasing the risk that our competitive position with a specific customer may deteriorate. No assurance can be given that we will continue to maintain our competitive position with these or other significant customers. Furthermore, we expect the percentage of our revenues derived from significant customers will vary greatly in future periods. The loss of, or a significant reduction in, orders by these or other significant customers as a result of competitive products, market conditions including end market demand for our customers' products, outsourcing final semiconductor test to test subcontractors that are not our customers or other factors, would have a material adverse impact on our business, financial condition and results of operations. Furthermore, the concentration of our revenues in a limited number of large customers is likely to cause significant fluctuations in our future annual and quarterly operating results.

If we cannot continue to develop, manufacture and market products and services that meet customer requirements for innovation and quality, our revenue and gross margin may suffer.

The process of developing new high technology products and services and enhancing existing products and services is complex, costly and uncertain, and any failure by us to anticipate customers' changing needs and emerging technological trends accurately could significantly harm our market share and results of operations. In addition, in the course of conducting our business, we must adequately address quality issues associated with our products and services, including defects in our engineering, design and manufacturing processes, as well as defects in third-party components included in our products. In order to address quality issues, we work extensively with our customers and suppliers and engage in product testing to determine the cause of quality problems and appropriate solutions. Finding solutions to quality issues can be expensive and may result in additional warranty, replacement and other costs, adversely affecting our profits. In addition, quality issues can impair our relationships with new or existing customers and adversely affect our reputation, which could lead to a material adverse effect on our operating results.

The cyclical nature of the semiconductor equipment industry places enormous demands on our employees, operations and infrastructure.

The semiconductor equipment industry is characterized by dramatic and sometimes volatile changes in demand for its products. A number of factors including the semiconductor industry's continually changing and unpredictable capacity requirements and changes in integrated circuit design and packaging, result in changes in product demand. Sudden changes in demand for semiconductor equipment have a significant impact on our operations. Typically, we reduce and increase our workforce, particularly in manufacturing, based on customer demand for our products. These changes in workforce levels place enormous demands on our employees, operations and infrastructure since newly hired personnel rarely possess the expertise and level of experience of current employees. Additionally, these transitions divert management time and attention from other activities and adversely impact employee morale. We have in the past and may in the future experience difficulties, particularly in manufacturing, in training and recruiting the large number of additions to our workforce. The volatility in headcount and business levels, combined with the cyclical nature of the semiconductor industry, may require that we invest substantial amounts in new operational and financial systems, procedures and controls. We may not be able to successfully adjust our systems, facilities and production capacity to meet our customers' changing requirements. The inability to meet such requirements will have an adverse impact on our business, financial position and results of operations.

The loss of key personnel could adversely impact our business.

Certain key personnel are critical to our business. Our future operating results depend substantially upon the continued service of our key personnel, many of whom are not bound by employment or non-competition agreements. Our future operating results also depend in significant part upon our ability to attract and retain qualified management, manufacturing, technical, engineering, marketing, sales and support personnel. Competition for qualified personnel, particularly those with technical skills, is intense, and we cannot ensure success in attracting or retaining qualified personnel. In addition, the cost of living in the San Diego, California, Kolbermoor, Germany and La Chaux-de-Fonds, Switzerland areas, where the majority of our development personnel are located, is high and we have had difficulty in recruiting prospective employees from other locations. There may be only a limited number of persons with the requisite skills and relevant industry experience to serve in these positions and it may become increasingly difficult for us to hire personnel over time. Our business, financial condition and results of operations could be materially adversely affected by the loss of any of our key employees, by the failure of any key employee to perform in his or her current position, or by our inability to attract and retain skilled employees.

Failure of critical suppliers to deliver sufficient quantities of parts in a timely and cost-effective manner could adversely impact our operations.

We use numerous vendors to supply parts, components and subassemblies for the manufacture of our products. It is not always possible to maintain multiple qualified suppliers for all of our parts, components and subassemblies. As a result, certain key parts may be available only from a single supplier or a limited number of suppliers. In addition, suppliers may cease manufacturing certain components that are difficult to replace without significant reengineering of our products. On occasion, we have experienced problems in obtaining adequate and reliable quantities of various parts and components from certain key suppliers. Our results of operations may be materially and adversely impacted if we do not receive sufficient parts to meet our requirements in a timely and cost effective manner.

Third parties may violate our proprietary rights or accuse us of infringing upon their proprietary rights.

We rely on patent, copyright, trademark and trade secret laws to establish and maintain proprietary rights in our technology and products. Any of our proprietary rights may expire due to patent life, or be challenged, invalidated or circumvented. In addition, from time to time, we receive notices from third parties regarding patent or copyright claims. Any such claims, with or without merit, could be time-consuming to defend, result in costly litigation, divert management's attention and resources and cause us to incur significant expenses. In the event of a successful claim of infringement against us and our failure or inability to license the infringed technology or to substitute similar non-infringing technology, our business, financial condition and results of operations could be adversely affected.

A majority of our revenues are generated from exports to foreign countries, primarily in Asia, that are subject to economic and political instability and we compete against a number of Asian test handling equipment suppliers.

The majority of our export sales are made to destinations in Asia. Political or economic instability, particularly in Asia, may adversely impact the demand for capital equipment, including equipment of the type we manufacture and market. In addition, we face intense competition from a number of Asian suppliers that have certain advantages over United States (“U.S.”) suppliers, including us. These advantages include, among other things, proximity to customers, favorable tariffs and affiliation with significantly larger organizations. In addition, changes in the amount or price of semiconductors produced in Asia could impact the profitability or capital equipment spending programs of our foreign and domestic customers.

Unanticipated changes in our tax provisions or exposure to additional income tax liabilities could affect our profitability.

We are subject to income and other taxes in the U.S. and numerous foreign jurisdictions. Our tax liabilities are affected by, among other things, the amounts our affiliated entities charge each other for intercompany transactions. We may be subject to ongoing tax examinations in various jurisdictions. Tax authorities may disagree with our intercompany charges or other matters and assess additional taxes. While we regularly assess the likely outcomes of these examinations in order to determine the appropriateness of our tax provision, tax audits are inherently uncertain and an unfavorable outcome could occur. An unanticipated, unfavorable outcome in any specific period could harm our operating results for that period or future periods. The financial cost and management attention and time devoted to defending income tax positions may divert resources from our business operations, which could harm our business and profitability. Tax examinations may also impact the timing and/or amount of our refund claims. In addition, our effective tax rate in the future could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of our deferred tax assets and liabilities, changes in tax laws and the discovery of new information in the course of our tax return preparation process. In particular, the carrying value of our deferred tax assets and the utilization of our net operating loss and credit carryforwards are dependent on our ability to generate future taxable income in the U.S. and other countries. Furthermore, these carryforwards may be subject to annual limitations as a result of changes in Cohu’s ownership.

Compliance with regulations may impact sales to foreign customers and impose costs.

Certain products and services that we offer require compliance with U.S. and other foreign country export and other regulations. Compliance with complex U.S. and other foreign country laws and regulations that apply to our international sales activities increases our cost of doing business in international jurisdictions and could expose us or our employees to fines and penalties. These laws and regulations include import and export requirements, the U.S. State Department International Traffic in Arms Regulations (“ITAR”) and U.S. and other foreign country laws such as the Foreign Corrupt Practices Act (“FCPA”), and local laws prohibiting corrupt payments to governmental officials. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business and damage to our reputation. Although we have implemented policies and procedures designed to ensure compliance with these laws, there can be no assurance that our employees, contractors or agents will not violate our policies, or that our policies will be effective in preventing all potential violations. Any such violations could include prohibitions on our ability to offer our products and services to one or more countries, and could also materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, our business and our operating results. Further, defending against claims of violations of these laws and regulations, even if we are successful, could be time-consuming, result in costly litigation, divert management’s attention and resources and cause us to incur significant expenses.

In addition to government regulations regarding sale and export, we are subject to other regulations regarding our products. For example, the U.S. Securities and Exchange Commission has adopted disclosure rules for companies that use conflict minerals in their products, with substantial supply chain verification requirements in the event that the materials come from, or could have come from, the Democratic Republic of the Congo or adjoining countries. These new rules and verification requirements will impose additional costs on us and on our suppliers, and may limit the sources or increase the cost of materials used in our products. Further, if we are unable to certify that our products are conflict free, we may face challenges with our customers that could place us at a competitive disadvantage, and our reputation may be harmed.

Our business and operations could suffer in the event of security breaches.

Attempts by others to gain unauthorized access to information technology systems are becoming more sophisticated and are sometimes successful. These attempts, which might be related to industrial or other espionage, include covertly introducing malware to our computers and networks and impersonating authorized users, among others. We seek to detect and investigate all security incidents and to prevent their recurrence, but in some cases, we might be unaware of an incident or its magnitude and effects. The theft, unauthorized use or publication of our intellectual property and/or confidential business information could harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives or otherwise adversely affect our business. To the extent that any security breach results in inappropriate disclosure of our customers' or licensees' confidential information, we may incur liability as a result. In addition, we may be required to devote additional resources to the security of our information technology systems.

The occurrence of natural disasters and geopolitical instability caused by terrorist attacks and other threats may adversely impact our operations and sales.

Our Corporate headquarters is located in San Diego, California, our Asian sales and service headquarters is located in Singapore and the majority of our sales are made to destinations in Asia. In addition, we have manufacturing plants in the Philippines, Malaysia and China. These regions are known for being vulnerable to natural disasters and other risks, such as earthquakes, tsunamis, fires, and floods, which at times have disrupted the local economies. A significant earthquake or tsunami could materially affect operating results. We are not insured for most losses and business interruptions of this kind, and do not presently have redundant, multiple site capacity in the event of a natural disaster. In the event of such disaster, our business would suffer. Furthermore, we have customers throughout the Middle East and terrorist attacks, protests or other threats in this region may cause geopolitical instability, which may have an adverse impact on our business, results of operations and financial condition.

Our financial and operating results may vary and may fall below analysts' estimates, which may cause the price of our common stock to decline.

Our operating results may fluctuate from quarter to quarter due to a variety of factors including, but not limited to:

- cyclical nature of the semiconductor equipment industry;
- timing and amount of orders from customers and shipments to customers;
- inability to recognize revenue due to accounting requirements;
- inventory writedowns;
- inability to deliver solutions as expected by our customers; and
- intangible and deferred tax asset writedowns.

Due to these factors or other unanticipated events, quarter-to-quarter comparisons of our operating results may not be reliable indicators of our future performance. In addition, from time to time our quarterly financial results may fall below the expectations of the securities and industry analysts who publish reports on our company or of investors in general. This could cause the market price of our stock to decline, perhaps significantly.

We have experienced significant volatility in our stock price.

A variety of factors may cause the price of our stock to be volatile. In recent years, the stock market in general, and the market for shares of high-technology companies in particular, including ours, have experienced extreme price fluctuations, which have often been unrelated to the operating performance of affected companies. During the last three years the price of our common stock has ranged from \$14.16 to \$7.96. The price of our stock may be more volatile than the stock of other companies due to, among other factors, the unpredictable and cyclical nature of the semiconductor industry, our significant customer concentration, intense competition in the test handler industry, our limited backlog and our relatively low daily stock trading volume. The market price of our common stock is likely to continue to fluctuate significantly in the future, including fluctuations related and unrelated to our performance.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

None.

Item 6.	Exhibits.
3(i).1	Amended and Restated Certificate of Incorporation of Cohu, Inc. incorporated herein by reference to Exhibit 3.1(a) from the Cohu, Inc. Form 10-Q for the quarterly period ended June 30, 1999
3(i).2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Cohu, Inc. incorporated herein by reference to Exhibit 4.1(a) from the Cohu, Inc. Form S-8 filed with the Securities and Exchange Commission on June 30, 2000
3(ii)	Amended and Restated Bylaws of Cohu, Inc. incorporated herein by reference to Exhibit 3.2 from the Cohu, Inc. Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 1996
10.1	Agreement of Purchase and Sale and Joint Escrow Instructions dated September 21, 2015, by and between Cohu, Inc. and ACTH II LLC
31.1	Certification pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COHU, INC.

(Registrant)

Date: November 5, 2015

/s/ Luis A. Müller

Luis A. Müller

President & Chief Executive Officer

Date: November 5, 2015

/s/ Jeffrey D. Jones

Jeffrey D. Jones

Vice President, Finance & Chief Financial Officer

(Principal Financial & Accounting Officer)

EXHIBIT INDEX

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**AGREEMENT OF PURCHASE AND SALE
AND JOINT ESCROW INSTRUCTIONS**

ARTICLE I

SUMMARY AND DEFINITION OF BASIC TERMS

This Agreement of Purchase and Sale and Joint Escrow Instructions (the "**Agreement**"), dated as of the Effective Date set forth in Section 1 of the Summary of Basic Terms, below, is made by and between ACTH II LLC, a Delaware limited liability company ("**Buyer**"), and COHU, INC., a Delaware corporation ("**Seller**"). The terms set forth below shall have the meanings set forth below when used in the Agreement.

TERMS OF AGREEMENT
(first reference in the Agreement)

DESCRIPTION

1. Effective Date (Introductory Paragraph):	The date upon which Escrow Holder has received fully-executed counterparts of this Agreement from Buyer and Seller.
2. Building (Recital A):	The building located on the Land situated in the City of Poway (the " City "), County of San Diego (the " County "), California, and commonly known as 12367 Crosthwaite Circle, Poway, California.
3. Broker (Section 15):	CBRE (Louay Alsadek).
4. Buyer's Notice Address (Section 14):	<p>ACTH II LLC c/o CT Realty Corporation 65 Enterprise Aliso Viejo, CA 92656 Attn: Dominic Petrucci and Steven J. Provencio Fax No.: (949) 330-5771 Email: dpetrucci@ctrinvestors.com / sprovencio@ctrinvestors.com</p> <p>With a copy to:</p> <p>CT Realty Corporation 65 Enterprise Aliso Viejo, CA 92656 Attn: Michael W. Traynham, Esq. Fax No.: (949) 330-5771 Email: mtraynham@ctrinvestors.com</p>

5. **Purchase Price**
(Section 2.1): \$34,250,000.00.
6. **Initial Deposit**
(Section 2.1.1): \$250,000.00.
7. **Additional Deposit**
(Section 2.1.1) \$250,000.00.
8. **Escrow Holder**
(Section 3): Chicago Title Company
2365 Northside Drive, Suite 600
San Diego, CA 92108
Attn: Annemarie LoCoco
Fax No.: (619) 640-9635
Email: lococoa@ctt.com
9. **Contingency Date**
(Section 4.1): Thirty (30) days following the Effective Date.
10. **Closing Date**
(Section 3.2): Thirty (30) days following the Contingency Date, subject to extension as provided in Section 3.2.
11. **Title Company**
(Section 4.2): Chicago Title Company
2365 Northside Drive, Suite 500
San Diego, CA 92108
Attn: Tom Votel & Ken Cyr
Fax No.: (619) 521-3608
Email: VotelT@CTT.com/Ken.Cyr@ctt.com
12. **Seller's Representative**
(Section 11.3): John Allen, Jeffrey Jones and Gary Ingoglia.

ARTICLE II

RECITALS

- A. Seller owns that certain parcel of land more particularly described on Exhibit "A" attached hereto (the "**Land**"), which land is improved with the Building.
- B. Seller desires to sell and convey to Buyer and Buyer desires to purchase and acquire from Seller the following:

i. The Land and all of Seller's right, title and interest in all rights, privileges, easements and appurtenances benefiting the Land and/or the Improvements, including, without limitation, Seller's interest, if any, in all mineral and water rights and all easements, rights-of-way and other appurtenances used or connected with the beneficial use or enjoyment of the Land and/or the Improvements (the Land, the Improvements and all such rights, privileges, easements and appurtenances are sometimes collectively hereinafter referred to as the "**Real Property**");

ii. The Building, associated parking and landscaped areas and all other improvements located on the Land (the "**Improvements**");

iii. The personal property, equipment, supplies and fixtures (collectively, the "**Personal Property**") owned by Seller and used or useful in the operation of the Real Property and specifically identified on the attached Exhibit "J", if any; and

iv. To the extent assignable, all of Seller's right, title and interest in any intangible property used or useful in connection with the foregoing, contract rights, warranties, guaranties, licenses, permits, entitlements, governmental approvals and certificates of occupancy which benefit the Real Property, the Improvements, and/or the Personal Property (the "**Intangible Personal Property**"). The Real Property, the Improvements, the Personal Property, and the Intangible Personal Property are sometimes collectively hereinafter referred to as the "**Property**."

C. Prior to the Contingency Date, Buyer will have the opportunity to conduct all due diligence with regard to the Property as set forth in Sections 4.1 and 4.2 below (collectively, the "**Due Diligence Investigations**").

ARTICLE III

AGREEMENT

NOW, THEREFORE, in consideration of the covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller hereby agree as follows, and hereby instruct Escrow Holder as follows.

1. **Purchase and Sale; Leaseback; Leases.** Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the Property upon the terms and conditions set forth in this Agreement. Notwithstanding anything to the contrary contained herein, Seller shall lease the Property back from Buyer pursuant to, and in accordance with, the terms and conditions of the Lease in the form attached hereto as Exhibit "I" ("**Leaseback Agreement**"), which Leaseback Agreement will be executed and delivered by Buyer and Seller through escrow at Closing. For purposes of clarity, the parties hereby acknowledge and agree that a party's failure to execute and deliver the Leaseback Agreement, in the form attached hereto as Exhibit "I", through escrow at Closing as required by Section 5 below, shall constitute a material default under this Agreement by such party. In addition, Seller is not conveying or assigning to Buyer, and Seller is retaining all right, title and interest as lessor in and to, the following leases in effect as of the Effective Date (collectively, the "**Leases**"): (i) that certain Lease between Seller, as landlord, and Broadcast Microwave Services, Inc., as tenant, dated June 10, 2015 (together with all amendments and modifications thereto made prior to the Effective Date, collectively, the "**BMS Lease**"); (ii) that certain Lease between Seller, as landlord, and Sirius Acquisition, LLC, as tenant, dated June 3, 2014 (together with all amendments and modifications thereto prior to the Effective Date, collectively, the "**Sirius Lease**"); and (iii) that certain Lease between Seller, as landlord, and Alex Machining Corporation, as tenant, dated March 29, 2013 (together with all amendments and modifications thereto prior to the Effective Date, collectively, the "**AMC Lease**"). The tenants, licensees and/or occupants of the Property under the Leases are referred to herein collectively as the "**Tenants**" and individually as a "**Tenant**". The Tenants shall become subtenants of Seller for the remainder of the respective terms of the Leases from and after Closing.

2. Purchase Price.

2.1 Purchase Price. Buyer shall pay the Purchase Price for the Property as hereinafter provided in this Section 2.

2.1.1 Initial Deposit. Within two (2) Business Days after the Effective Date, Buyer shall deliver to Escrow Holder the Initial Deposit by cashier's check or wire transfer of immediately available funds. If Buyer fails to deliver the Initial Deposit to Escrow Holder strictly as and when contemplated herein, Seller shall have the right to terminate this Agreement by delivering written notice thereof to Buyer at any time prior to Escrow Holder's receipt of the Initial Deposit, and in the event of such termination Buyer shall be responsible for and shall pay any and all title and escrow cancellation fees and charges. The Initial Deposit shall remain fully refundable to Buyer until Buyer's delivery of Buyer's Approval Notice pursuant to Section 4.1.4 below. If Buyer fails to deliver Buyer's Approval Notice by the time specified in Section 4.1.4 below, this Agreement shall terminate and the Initial Deposit, together with interest accrued thereon, shall be returned to Buyer, without the need for, and despite any contrary instructions received from, Seller, and thereafter neither party shall have any further rights or obligations hereunder except for Seller's and Buyer's obligations and indemnities under this Agreement that by their terms expressly survive the termination of this Agreement.

2.1.2 Additional Deposit. Within one (1) Business Day after the Property Approval Period, and provided Buyer shall have delivered Buyer's Approval Notice (and therefore shall have not elected (or deemed to have elected) to terminate this Agreement pursuant to Section 4.1.4 below), Buyer shall deliver to Escrow Holder the Additional Deposit (the Initial Deposit, together with the Additional Deposit, if and when made by Buyer, and all interest that accrues on the Initial Deposit and the Additional Deposit while such amounts are held by Escrow Holder may be referred to herein collectively as the "Deposit"). Buyer's failure to timely deliver the Additional Deposit after delivering Buyer's Approval Notice shall constitute a material default by Buyer under this Agreement. If Buyer delivers Buyer's Approval Notice pursuant to Section 4.1.4 below, then, after the Contingency Date, the Deposit shall be: (i) applied and credited toward payment of the Purchase Price at the Close of Escrow, or (ii) retained by Seller as liquidated damages in accordance with the terms and conditions of Section 16.1 below unless this Agreement is terminated (or deemed terminated) by Buyer pursuant to an express termination right in favor of Buyer under this Agreement.

2.1.3 Interest Bearing Account. The Deposit shall be deposited by Escrow Holder in an interest-bearing account at a federally insured institution as Escrow Holder, Buyer and Seller deem appropriate and consistent with the timing requirements of this Agreement. The interest on the Deposit (while held by Escrow Holder) shall accrue to the benefit of the party receiving the Deposit pursuant to the terms of this Agreement, and Buyer and Seller hereby acknowledge that there may be penalties or interest forfeitures if the applicable instrument is redeemed prior to its specified maturity. Any interest earned on the Deposit shall be deemed to be a part of the Deposit for the purposes of this Agreement. Buyer agrees to provide its Federal Tax Identification Number to Escrow Holder upon the opening of Escrow.

2.1.4 Cash Balance. On or before one (1) Business Day prior to the Closing Date, Buyer shall deposit with Escrow Holder cash by means of a confirmed wire transfer through the Federal Reserve System the amount of the balance of the Purchase Price, as adjusted for any applicable closing costs and prorations allocated to Buyer pursuant to Sections 7 and 8 below.

2.2 Independent Contract Consideration. Concurrently with Buyer's delivery of the Deposit to Escrow Holder, Buyer shall deliver to Escrow Holder the sum of \$100.00 (the "Independent Contract Consideration"), which shall be immediately released by Escrow Holder to Seller, and shall be accepted by Seller as the independent contract consideration for Seller's execution and delivery of this Agreement and the rights extended to Buyer hereunder. The Independent Contract Consideration is earned as of the execution hereof by Buyer and Seller, and is nonrefundable under all circumstances.

3. Escrow and Title.

3.1 Opening of Escrow. Buyer and Seller shall promptly deliver a fully executed copy of this Agreement to Escrow Holder, and the date of Escrow Holder's receipt thereof is referred to as the "Opening of Escrow". Escrow Holder shall promptly notify Buyer and Seller of the date of Opening of Escrow. Seller and Buyer shall execute and deliver to Escrow Holder any additional or supplementary instructions as may be reasonably necessary to implement the terms of this Agreement and close the transactions contemplated hereby, provided such instructions are consistent with and merely supplement this Agreement and shall not in any way modify, amend or supersede this Agreement. Such supplementary instructions, together with the escrow instructions set forth in this Agreement, as they may be amended from time to time by the parties, shall collectively be referred to as the "Escrow Instructions." The Escrow Instructions may be amended and supplemented by such standard terms and provisions as the Escrow Holder may request the parties hereto to execute; provided, however, that the parties hereto and Escrow Holder acknowledge and agree that in the event of a conflict between any provision of such standard terms and provisions supplied by the Escrow Holder and the Escrow Instructions, the Escrow Instructions shall prevail.

3.2 Close of Escrow/Closing. For purposes of this Agreement, the "Close of Escrow" or the "Closing" shall mean the date on which the Deed (as defined in Section 5.1.1 below) is recorded in the Official Records of the County where the Land is located (the "Official Records"). The Close of Escrow shall occur on the Closing Date. Notwithstanding the foregoing, Buyer shall have a one-time right to extend the Closing Date for up to an additional thirty (30) days, which right shall be exercised, if at all, by: (i) Buyer's delivery of written notice to Seller no later than three (3) Business Days prior to the original scheduled Closing Date, and (ii) concurrently therewith, Buyer's delivery of an additional \$200,000.00 deposit with Escrow Holder (which additional sum shall not be considered part of the Deposit under this Agreement and as such not applicable to the Purchase Price at Closing and shall not be refundable to Buyer unless this Agreement is terminated by Buyer pursuant to Section 16.1 due to a Seller default).

3.3 Title Insurance. At the Close of Escrow, and as a condition thereto, the Title Company shall be prepared to issue to Buyer an ALTA extended coverage Owner's Policy of Title Insurance (the "**Title Policy**") with liability in the amount of the Purchase Price, showing title to the Property vested in Buyer, subject only to (i) the preprinted standard exceptions in such Title Policy, (ii) exceptions approved or deemed approved by Buyer pursuant to Section 4.2, (iii) the rights and interests, as tenants only, of the Tenants under the Leases and Seller under the Leaseback Agreement, (iv) non-delinquent real property taxes and special assessments, (v) any exceptions arising from Buyer's actions, and (vi) any matters which would be disclosed by an accurate survey or readily apparent from a reasonable visual inspection of the Property (collectively, the "**Permitted Exceptions**"). The Property Approval Period and Close of Escrow shall not be extended due to Buyer's Title Policy requirements, including without limitation the need to obtain an updated ALTA survey. Notwithstanding the foregoing, if Buyer elects not to pay for the additional premium for the ALTA extended coverage policy, or if Buyer does not timely provide Title Company with an updated ALTA survey in form sufficient for Title Company to issue such ALTA extended coverage policy at the Close of Escrow, then the Title Policy to be issued on the Close of Escrow shall be a standard coverage ALTA Owner's Policy of Title Insurance which may include, in addition to the Permitted Exceptions, a general survey exception.

4. Contingencies; Conditions Precedent to the Close of Escrow.

4.1 Buyer's Review.

4.1.1 Delivery of Due Diligence Materials by Seller. To the extent within the possession or control of Seller and within three (3) Business Days following the Effective Date, Seller shall deliver to Buyer or make available to Buyer and Buyer's representatives on a CBRE website for inspection, the documents and materials identified on the attached Exhibit "K" (collectively, the "**Due Diligence Items**"). In addition, following reasonable prior telephonic or written notice from Buyer, Seller agrees to allow Buyer, its authorized agents or representatives, at Buyer's expense, to inspect and make copies of such other documents and property records relating to the ownership, operation and maintenance of the Property, which are not provided to Buyer as part of the Due Diligence Items and which are reasonably requested by Buyer, at Seller's offices. In addition, Seller shall promptly deliver to Buyer any additional material instruments and documents relating to the Property, except for Excluded Information, that Seller's Representative first discovers or obtains after the Effective Date; provided, however, that neither Seller nor Seller's Representative shall have any obligation whatsoever to undertake any search, investigation or inquiry for any such instruments and documents. Notwithstanding the foregoing, the Due Diligence Items shall not include, and Seller shall not be obligated to provide to Buyer, any confidential or privileged materials, any appraisals or other financial analysis prepared by or on behalf of Seller or any other proprietary materials of Seller (collectively, "**Excluded Information**"). Except as expressly provided herein, Seller makes no representations or warranties regarding the accuracy of the Due Diligence Items or that the Due Diligence Items are complete copies of the same. Buyer acknowledges and understands that all such materials made available by Seller are only for Buyer's convenience in making its own examination and determination prior to the Contingency Date as to whether it wishes to purchase the Property, and, in so doing, Buyer shall, except as expressly provided herein or in any Other Document (defined below) and rely exclusively upon its own independent investigation and evaluation of every aspect of the Property and not on any materials supplied by Seller.

4.1.2 Inspection. Commencing upon the Effective Date and continuing until 5:00 p.m. (Pacific Time) on the Contingency Date (the "**Property Approval Period**"), Buyer shall have the right to review and investigate the Due Diligence Items, the physical and environmental condition of the Property, the character, quality, value and general utility of the Property, the zoning, land use, environmental and building requirements and restrictions applicable to the Property, the state of title to the Property, and any other factors or matters relevant to Buyer's decision to purchase the Property. Buyer, in Buyer's sole and absolute discretion, may determine whether or not the Property is acceptable to Buyer within the Property Approval Period and whether Buyer can secure appropriate financing thereon. Buyer shall provide Seller with at least one (1) Business Day's prior written notice of its desire to enter upon the Real Property for tenant interviews, inspection and/or testing and any such tenant interviews, inspections or testing shall be conducted at a time and manner reasonably approved by Seller and to minimize disruption or interference with any tenants. Seller shall have the right to be present at any such tenant interviews, inspections or testings. Prior to conducting any inspections or testing, Buyer or its consultants, shall deliver to Seller a certificate of insurance naming Seller as additional insured (on a primary, non-contributing basis) evidencing commercial general liability and property damage insurance with limits of not less than \$2,000,000.00 in the aggregate for liability coverage and not less than \$2,000,000.00 in the aggregate for property damage. Notwithstanding the foregoing, Buyer shall not be permitted to undertake any air sampling or any intrusive or destructive testing of the Property, including, without limitation, a "Phase II" environmental assessment (collectively, the "**Intrusive Tests**"), without in each instance first obtaining Seller's prior written consent thereto, which consent shall not be unreasonably withheld, conditioned or delayed if such Intrusive Tests are recommended by Buyer's "Phase I" Environmental Assessment. Buyer shall repair any damage to the Property caused by Buyer or its consultant's entry on the Property such that the affected areas of the Property are restored to the same condition in which it was found prior to such entry immediately after any and all testing and inspections conducted by or on behalf of Buyer, provided, however, that Buyer shall not be required to repair any damage (i) not caused by Buyer or its consultant's or (ii) that results solely from Buyer's or Buyer's consultant's mere discovery of any conditions on the Property. Buyer hereby indemnifies and holds Seller, Seller Parties and the Property harmless from any and all costs, loss, damages or expenses of any kind or nature actually incurred or suffered by Seller or any of the Seller Parties and arising out of or resulting from any entry and/or activities upon the Property by Buyer and/or Buyer's agents, employees, contractors or consultants (together, "**Buyer Parties**"); provided, however, such indemnification obligation shall not be applicable to Buyer's mere discovery of any pre-existing adverse physical condition at the Property. Buyer's indemnification obligations under this section shall survive the Close of Escrow or any termination of this Agreement. Without limiting the foregoing, Section 25359.7 of the California Health and Safety Code requires owners of non-residential real property who know, or have reasonable cause to believe, that any release of hazardous substance has come to be located on or beneath the real property to provide written notice of such to a buyer of the real property. Notwithstanding anything to the contrary contained herein, Buyer (i) hereby acknowledges Buyer's receipt of the foregoing notice given pursuant to Section 25359.7 of the California Health and Safety Code; (ii) has, or will have prior to the expiration of the Property Approval Period, fully investigated the condition of the Property; and (iii) after receiving advice of Buyer's legal counsel, waives any and all rights Buyer may have to assert that Seller has not complied with the requirements of Section 25359.7 of the California Health and Safety Code. For the purposes of this Agreement, "**Seller Parties**" shall mean Seller's affiliates, subsidiaries, property manager, asset manager, and their respective officers, directors, members, trustees, employees, consultants, attorneys, agents, representatives, contractors and subcontractors. Buyer's repair and indemnity obligations under this Section 4.1.1 shall survive the termination of this Agreement.

4.1.3 Reserved.

4.1.4 Termination. Buyer shall have the right, exercisable in Buyer's sole and absolute discretion at any time prior to the expiration of the Property Approval Period by written notice to Seller, to terminate this Agreement. If Buyer fails, prior to 5:00 p.m. (Pacific time) on the Contingency Date, to deliver written notice ("**Buyer's Approval Notice**") to Seller and Escrow Holder of Buyer's approval of the Property in the form attached hereto as Exhibit "D". Buyer shall be deemed to have disapproved the Property and this Agreement shall automatically terminate. If Buyer timely delivers Buyer's Approval Notice as provided in this Section 4.1.4, then Buyer shall be deemed to have elected to waive its right to terminate this Agreement pursuant to this Section 4.1.4 and proceed to Closing in accordance with the terms and conditions of this Agreement.

4.1.5 Due Diligence Materials. In the event Buyer does not purchase the Property for any reason other than a Seller Default, within five (5) Business Days after the date this Agreement is terminated Buyer shall return to Seller all documents, information and other materials supplied by Seller to Buyer, and, at Seller's written request, without warranty or representation of any kind, any inspection reports, studies, surveys, and other reports and/or test results (collectively, "**Third-Party Reports**") (provided the same do not restrict such delivery to a third party) relating to the Property which were prepared by third-party consultants retained by Buyer in contemplation of this Agreement and in Buyer's possession or control and, if so requested by Seller, Seller shall reimburse Buyer for the cost of all such Third-Party Reports. Buyer's and Seller's obligations under this Section 4.1.4 shall survive the termination of this Agreement.

4.2 Title Report and Additional Title Matters.

4.2.1 Title Report. Within five (5) Business Days after the Effective Date, Seller shall obtain and deliver to Buyer a preliminary title report for the Property prepared by Title Company (the "**PTR**"), together with copies of all underlying title documents described in the PTR and the most current ALTA survey of the Property in Seller's possession ("**Survey**"). Buyer shall have until ten (10) Business Days prior to the Contingency Date (the "**Title Notice Date**") to provide written notice (the "**Title Notice**") to Seller and Escrow Holder of any matters shown by the PTR or Survey which are not satisfactory to Buyer. If Seller has not received the Title Notice from Buyer by the Title Notice Date, that shall be deemed, subject to Section 4.1.4 above, Buyer's unconditional approval of the condition of title to the Property and the Survey, except that prior to the Closing Date, Seller shall be required to remove any and all liens secured by deeds of trust securing loans made to Seller and delinquent real property taxes and assessments and remove or endorse over (to Buyer's reasonable satisfaction) any mechanics' liens relating to work contracted for by Seller and any judgment liens against Seller (herein "**Monetary Liens**"). Except as expressly provided herein, Seller shall have no obligation whatsoever to expend or agree to expend any funds, to undertake or agree to undertake any obligations or otherwise to cure or agree to cure any title objections other than Monetary Liens. To the extent Buyer timely delivers a Title Notice, then Seller shall deliver, no later than five (5) Business Days after receipt of Buyer's Title Notice, written notice to Buyer and Escrow Holder identifying which disapproved items Seller shall undertake to cure or not cure ("**Seller's Response**"); however, Seller must cure the Monetary Liens. If Seller does not deliver a Seller's Response prior to such date, Seller shall be deemed to have elected to not remove or otherwise cure any exceptions disapproved by Buyer. If Seller elects, or is deemed to have elected, not to remove or otherwise cure an exception disapproved in Buyer's Title Notice, Buyer shall have until 5:00 p.m. (Pacific time) on the Contingency Date to (i) deliver Buyer's Approval Notice to Seller and Escrow Holder thereby waiving any objection to the PTR or the Survey other than Monetary Liens and exceptions that Seller has elected to cure prior to Closing, or (ii) terminate this Agreement and the Escrow by not timely delivering Buyer's Approval Notice, in which case Escrow Holder shall return to Buyer the Deposit. Notwithstanding anything to the contrary contained herein, Buyer's delivery of Buyer's Approval Notice shall be deemed Buyer's affirmative approval of the actual or deemed Seller Response. If Seller and Escrow Holder have not received Buyer's Approval Notice from Buyer by the Contingency Date, that shall be deemed Buyer's disapproval of the Seller Response and election to terminate the Agreement and Escrow. In addition, if Buyer delivers a Buyer's Approval Notice, all matters (except for Monetary Liens) shown in the PTR and the Survey with respect to which Buyer fails to give a Title Notice on or before 5:00 p.m. (Pacific Time) on the Title Notice Date shall be deemed to be approved by Buyer.

4.2.2 Additional Title Matters. In the event Title Company issues any amendment or supplement to the PTR after the Title Notice Date showing any additional exception to title that is not included in the PTR (a "**New Exception**"), Buyer shall be entitled to object to any such New Exception by delivering a Title Notice to Seller and Escrow Holder on or before the date that is three (3) Business Days after Buyer's receipt of written notice of the New Exception from Title Company; provided, however, Buyer may not object to (and shall be deemed to have approved) any New Exception (i) caused by the acts or omissions of Buyer or Buyer Parties, or (ii) resulting from Buyer's delivery of a new survey or an update to the Survey to Title Company after the Title Notice Date. If Buyer fails to deliver a Title Notice objecting to a New Exception (other than a Monetary Lien) within such three (3) Business Day period, Buyer shall be deemed to have accepted such New Exception. Seller shall have three (3) Business Days after receipt of the Title Notice to provide a Seller's Response. Seller shall be deemed to have elected not to remove or cure the New Exception if Seller fails deliver a Seller's Response within such three (3) Business Days. If Seller elects or is deemed to have elected not to remove or cure such New Exception, Buyer shall have two (2) Business Days after the date of Seller's Response, or two (2) Business Days after the expiration of the three (3) Business Day period for Seller to deliver a Seller's Response if Seller fails to deliver a Seller's Response within such three (3) Business Day period, to give Seller and Escrow Holder written notice that Buyer either waives Buyer's prior objection to the New Exception, or that Buyer elects to terminate this Agreement, in which case Escrow Holder shall return to Buyer the Deposit. Except with respect to Monetary Liens, if Buyer fails to timely deliver any such notice, Buyer shall be deemed to have waived its prior objection to such New Exception. If necessary, the Closing Date shall automatically be extended to allow for the running of the notice and cure periods described in this paragraph. Notwithstanding the foregoing to the contrary, Buyer need give no notice of its disapproval of any New Exception which constitutes a Monetary Lien, all of which Seller shall remove or endorse over (to Buyer's satisfaction) at or before Closing.

4.3 Buyer's Conditions Precedent to Closing: The Close of Escrow and Buyer's obligations with respect to the transactions contemplated by this Agreement are subject to the satisfaction or waiver of the following conditions:

4.3.1 Title Policy. On or before the Closing Date, Title Company shall have unconditionally and irrevocably committed to issue to Buyer the Title Policy described in Section 3.3, subject only to the payment of the applicable premium pursuant to Section 7 below.

4.3.2 Seller's Performance. On or before the Closing Date, Seller shall have duly performed in all material respects each and every material covenant of Seller hereunder including without limitation, Seller's timely delivery of the items specified to be delivered by Seller in Section 5.1 below.

4.3.3 Accuracy No Breach of Representations and Warranties. All representations and warranties made by Seller in Section 11.1 shall be true and correct in all material respects as of the Closing Date as if made on and as of the Closing Date, subject to Section 11.2.

4.3.4 Tenant Estoppel Certificates. On or before the Closing, Buyer shall have received estoppel certificates (collectively, "Estoppel Certificates" and individually, an "Estoppel Certificate") reasonably satisfactory to Buyer, which Seller shall use its good faith efforts to obtain, duly executed by Broadcast Microwave Services, Inc., Alex Machining Corporation and Sirius Acquisition, LLC (the "Existing Tenants"), dated not earlier than forty-five (45) days prior to the original Closing Date set forth in this Agreement (i.e., without extension thereof). The Estoppel Certificates shall be in the form of Exhibit "G", attached hereto or such other form as is required by or is otherwise consistent in all material respects with the requirements of the applicable Lease. Seller shall deliver to Buyer, for Buyer's approval, executed Estoppel Certificates promptly after Seller's receipt of the same. Buyer's failure to disapprove an executed Estoppel Certificate within five (5) Business Days following Buyer's receipt thereof shall be deemed to constitute Buyer's approval thereof; provided, however, that Buyer shall not have the right to disapprove an executed Estoppel Certificate satisfying the criteria above (or terminate this Agreement based thereon after the Contingency Date) unless it: (a) discloses material adverse economic terms of the applicable Lease that were not disclosed to Buyer (whether in the applicable Lease, this Agreement or any other document delivered to Buyer) prior to the date which is five (5) Business Days prior to the expiration of the Property Approval Period, (b) alleges a material default of Seller (as landlord) under the applicable Lease, (c) discloses a material dispute between the Seller (as landlord) and the Tenant in connection with the applicable Lease, or (d) contains any material adverse modification or qualification or the insertion therein of any other materially adverse information by the Tenant; provided, however, and notwithstanding the foregoing, Buyer shall not have the right to disapprove any Estoppel Certificate or to terminate this Agreement after the expiration of the Property Approval Period based upon (i) any matter disclosed in writing to Buyer prior to the date which is five (5) Business Days prior to the expiration of the Property Approval Period, or (ii) any matter disclosed in writing to Buyer after the Property Approval Period which is not disapproved in writing by Buyer to Seller within five (5) Business Days after Buyer receives written notice thereof (which disapproval notice shall constitute Buyer's election to terminate this Agreement). If Seller has been unable to timely obtain an Estoppel Certificate from a Tenant as provided herein, Seller may deliver its own certificate to Buyer ("Seller's Lease Certificate") in the form attached hereto as Exhibit "H" for such Tenants that did not deliver an Estoppel Certificate so as to provide Estoppel Certificates and Seller Lease Certificates that, taken together, shall satisfy this condition. In the event that after delivery of a Seller's Lease Certificate Seller receives an Estoppel Certificate from any Tenant for whom Seller previously delivered a Seller's Lease Certificate, Seller may deliver such Estoppel Certificate to Buyer and the corresponding Seller's Lease Certificate shall be automatically canceled upon Buyer's approval thereof (with Buyer's right to disapprove such Estoppel Certificate governed by the provisions set forth above). The immediately preceding sentence shall survive the Close of Escrow. Notwithstanding the foregoing, Buyer shall not be required to accept Seller's Lease Certificates for more than twenty (20%) of the leased rentable square footage of the Property or any Tenant occupying more than 50,000 rentable square feet at the Property. In addition, Seller will reasonably cooperate with Buyer and Buyer's lender, at no cost to Seller, to deliver to all Tenants a Subordination, Non-Disturbance and Attornment Agreement ("SNDAs"), in the form required by Buyer's lender in connection with its acquisition of the Property. The failure of Buyer or Buyer's lender to obtain an executed SNDAs shall not be a contingency to the Closing and shall not extend the Closing Date.

4.3.5 No Casualty or Condemnation. No casualty or condemnation shall have occurred pursuant to which Buyer has elected to terminate the Agreement in accordance with

Section 13 below.

4.4 Failure of Conditions Precedent to Buyer's Obligations; Extension of Closing Date. Buyer's obligations with respect to the transactions contemplated by this Agreement are subject to the satisfaction of the conditions precedent to such obligations for Buyer's benefit set forth in Section 4.3 (collectively, "**Buyer's Closing Conditions**"). If Buyer (i) fails to deliver the Buyer's Approval Notice to Escrow Holder or (ii) terminates this Agreement by written notice to Seller because of the failure of any such condition precedent, then Escrow Holder shall return the Deposit to Buyer in accordance with Buyer's written instructions within five (5) Business Days following the effective date of such termination, Seller and Buyer shall each pay one-half (1/2) of any Escrow cancellation fees or charges, and except for Seller's and Buyer's indemnity and confidentiality obligations under the Agreement which expressly survive termination of the Agreement, the parties shall have no further rights or obligations to one another under this Agreement. Notwithstanding any term or provision contained in this Agreement to the contrary, if Seller is unable to timely satisfy the conditions precedent to Buyer's obligation to effect the Closing under Section 4.3 above (other than Seller's timely delivery of any of the items specified to be delivered by Seller in Section 5.1 below), then, following written notice delivered to Buyer no later than five (5) Business Days prior to the Closing Date, Seller may, at its election, extend the Closing Date for one or more periods not to exceed fifteen (15) days, in the aggregate, in connection with Seller's satisfaction of any such Buyer's Closing Condition under Section 4.3 above. If, after any such extension, the conditions precedent to Buyer's obligation to effect the Closing under Section 4.3 above continue not to be satisfied (and Buyer has not waived the same in writing), or if Seller does not elect to extend the Closing Date as provided hereunder, and, in either case, such failure of condition precedent is not the direct result of Buyer's default hereunder, then Buyer shall, within five (5) Business Days following the expiration of the foregoing applicable period (or in the event Seller elects not to extend the Closing Date as provided hereunder), have the right to terminate this Agreement by written notice thereof to Seller, or waive Seller's failure to satisfy such condition precedent and proceed to Closing on or before the expiration of the applicable period for Seller's satisfaction of such condition, it being further provided that Buyer's failure to deliver a written notice electing to waive Seller's failure to satisfy such condition precedent and proceed to Closing on or before the expiration of the applicable period for Seller's satisfaction of such condition shall be deemed Buyer's election to terminate this Agreement. If this Agreement is so terminated, then Buyer shall be entitled to the return of the Deposit and neither party shall have any further obligations hereunder, except those expressly stated to survive the termination hereof. Notwithstanding the foregoing, in the event that the failure of any such Buyer's Closing Condition also constitutes a default hereunder by Seller, Buyer also shall be entitled to pursue its rights and remedies under Section 16.1 hereof.

4.5 Conditions Precedent to Seller's Obligations. The Close of Escrow and Seller's obligations with respect to the transactions contemplated by this Agreement are subject to the timely satisfaction or waiver of the following conditions:

4.5.1 Buyer's Performance. Buyer shall have duly performed in all material respects each and every material covenant of Buyer hereunder, including without limitation, Buyer's timely delivery of the Purchase Price pursuant to the provisions of Section 2 above; and

4.5.2 Accuracy No Breach of Representations and Warranties. Buyer's representations and warranties set forth in Section 11.2 of this Agreement shall be true and correct in all material respects as of the Closing Date as if made on and as of the Closing Date.

Notwithstanding the foregoing, in the event that the failure of any such condition also constitutes a default hereunder by Buyer, Seller also shall be entitled to pursue its rights and remedies under Section 16.2 hereof.

5. Deliveries to Escrow Holder.

5.1 Seller's Deliveries. Seller hereby covenants and agrees to deliver or cause to be delivered to Escrow Holder at least one (1) Business Day prior to the Closing Date (or other date specified) the following instruments and documents, the delivery of each of which shall be a condition to the Close of Escrow:

5.1.1 Deed. A Grant Deed (the "Deed") in the form of Exhibit "B" attached hereto, duly executed and acknowledged in recordable form by Seller, conveying Seller's interest in the Real Property to Buyer;

5.1.2 Non-Foreign Certifications. FIRPTA and California 593-C Certificates duly executed by Seller in the forms prepared by Escrow Holder or otherwise reasonably required by Buyer (the "Tax Certificates");

5.1.3 Leaseback Agreement. Two (2) counterparts of the Leaseback Agreement duly executed by Seller;

5.1.4 Bill of Sale. Two (2) counterparts of a Bill of Sale ("Bill of Sale") duly executed by Seller in the form attached hereto as Exhibit "E" conveying Seller's right, title and interest in and to the Personal Property;

5.1.5 General Assignment. Two (2) counterparts of a General Assignment duly executed by Seller in the form of Exhibit "F" attached hereto (the "General Assignment");

5.1.6 Notice of Sirius Lease Termination. A notice to Sirius Acquisition, LLC, terminating the Sirius Lease as required by the Leaseback Agreement.

5.1.7 Insurance Certificates. Copies of the insurance certificates (the "Tenant Insurance Certificates") required to be delivered by Seller as the tenant under the Leaseback Lease;

5.1.8 Proof of Authority. Such proof of Seller's authority and authorization to enter into this Agreement and the transactions contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of Seller to act for and bind Seller, as may be reasonably required by Title Company;

5.1.9 Title Company Documents. A standard title company owners' affidavit, closing statement(s) and such other documents that may reasonably be required by the Title Company and/or Escrow Holder to issue the Title Policy and close the purchase and sale of the Property in accordance with this Agreement, each in a form reasonably acceptable to Seller; and

5.1.10 Miscellaneous. To the extent in Seller's possession, originals of the warranties assigned to Buyer and all keys, security codes, maintenance records, plans, permits, certificates of occupancy, surveys and building specifications pertaining to the Property, provided that, at Seller's election, these documents may be delivered outside of Escrow on or within a reasonable period of time after the Closing (not to exceed five (5) Business Days).

5.2 Buyer's Deliveries. Buyer hereby covenants and agrees to deliver or cause to be delivered to Escrow Holder at least one (1) Business Day prior to the Closing Date the following funds, instruments and documents, the delivery of each of which shall be a condition to the Close of Escrow:

5.2.1 Buyer's Funds. The Purchase Price, plus such additional funds, if any, necessary to comply with Buyer's obligations hereunder regarding prorations, credits, costs and expenses, less the Deposit;

5.2.2 Leaseback Agreement. Two (2) counterparts of the Leaseback Agreement duly executed by Buyer;

5.2.3 General Assignment. Two (2) counterparts of the General Assignment duly executed by Buyer;

5.2.4 Reserved.

5.2.5 Bill of Sale. Two (2) counterparts of the Bill of Sale duly executed by Buyer; and

5.2.6 Proof of Authority. Such proof of Buyer's authority and authorization to enter into this Agreement and the transactions contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of Buyer to act for and bind Buyer, as may be reasonably required by Title Company.

6. Deliveries Upon Close of Escrow. Upon the Close of Escrow, Escrow Holder shall promptly undertake all of the following:

6.1 Tax Filings. The Title Company shall file the information return for the sale of the Property required by Section 6045 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder.

6.2 Prorations. Prorate all matters referenced in Section 8 based upon the statement delivered into Escrow signed by the parties;

6.3 Recording. Cause the Deed and any other documents which the parties hereto may direct, to be recorded in the Official Records in the order directed by the parties;

6.4 Buyer Funds. Disburse from funds deposited by Buyer with Escrow Holder towards payment of all items and costs (including, without limitation, the Purchase Price) chargeable to the account of Buyer pursuant hereto in payment of such items and costs and disburse the balance of such funds, if any, to Buyer;

6.5 Documents to Seller. Deliver to Seller counterpart originals of the Leaseback Agreement and the General Assignment executed by Buyer and a conformed recorded copy of the recorded Deed;

6.6 Documents to Buyer. Deliver to Buyer an original of the Tax Certificates and Bill of Sale, the Tenant Insurance Certificates and counterpart originals of the Leaseback Agreement and the General Assignment executed by Seller, a conformed recorded copy of the Deed, and, when issued, the Title Policy;

6.7 Title Policy. Direct the Title Company to issue the Title Policy to Buyer; and

6.8 Seller Funds. Deduct all items chargeable to the account of Seller pursuant to Section 7. If, as the result of the net prorations and credits pursuant to Section 8, amounts are to be charged to the account of Seller, deduct the total amount of such charges (unless Seller elects to deposit additional funds for such items in Escrow); and if amounts are to be credited to the account of Seller, disburse such amounts to Seller, or in accordance with Seller's instructions, at Close of Escrow. Disburse the net proceeds of the Purchase Price to Seller, or as otherwise directed by Seller, promptly upon the Close of Escrow in accordance with Seller's wire transfer instructions.

7. Costs and Expenses. Seller shall pay (i) that portion of the Title Policy premium for ALTA owner's standard coverage and all costs related to the removal or cure of title exceptions that Seller has agreed or is required to remove or cure pursuant to Section 4.2 above, (ii) all documentary transfer taxes assessed by the County and City, and (iii) one-half (½) of the Escrow Holder's fee. In addition Seller shall pay outside of Escrow all legal and professional fees and costs of attorneys and other consultants and agents retained by Seller. Buyer shall pay through Escrow (x) all document recording charges, (y) the additional Title Policy premium for ALTA extended coverage and any title endorsements requested by Buyer, and (z) one-half (½) of the Escrow Holder's fee. Buyer shall pay outside of Escrow all costs and expenses related to the Due Diligence Investigations, charges for any new survey or updates to the Survey requested by Buyer and all legal and professional fees and costs of attorneys and other consultants and agents retained by Buyer. All other costs and charges, if any, shall be charged to Seller or Buyer as customarily charged to sellers and buyers in accordance with common escrow practices in the County.

8. Prorations. The following prorations between Seller and Buyer shall be made by Escrow Holder computed as of the Close of Escrow:

8.1 Taxes and Assessments. In light of Seller's obligations as tenant under the Leaseback Agreement, there shall be no pro-ration of real estate taxes and assessments. Seller shall be responsible for all delinquent and non-delinquent real property taxes and assessments on the Property accrued as of the Closing.

8.2 Excise, Transfer and Sales Taxes. Buyer and Seller agree that no portion of the Purchase Price will be allocated to the Personal Property or Intangible Personal Property, and each party will reflect such allocation in any tax of similar filings. Therefore, there will be no excise, transfer and use taxes imposed with respect to the conveyance of any personal property contemplated by this Agreement.

8.3 Operating Expenses. Any common area maintenance, elevator maintenance, taxes other than real estate taxes such as rental taxes, other expenses incurred in operating the Property that Seller pays on an estimated or other basis, and any other costs incurred in the ordinary course of business or the management and operation of the Property, shall be prorated on an accrual basis. Seller shall pay all such expenses that accrue prior to the Close of Escrow and Buyer shall pay all such expenses accruing on the Close of Escrow and thereafter. Seller and Buyer shall obtain billings as of the Close of Escrow to aid in such prorations. In light of Seller's obligations as tenant under the Leaseback Agreement, there shall be no proration of utilities as of the Closing. Seller shall be responsible for all utility charges accruing prior to and, subject to and as provided in the Leaseback Agreement, following the Closing.

8.4 Base Rent; Security Deposit. At Closing, Seller shall, as the tenant under the Leaseback Agreement, pay, or Buyer shall be credited, for (i) "Base Rent" payable under the Leaseback Agreement for the month in which the Closing occurs as provided in the Leaseback Agreement; and (ii) the "Security Deposit" required under the Leaseback Agreement.

At least two (2) Business Days prior to the Close of Escrow, the parties shall agree upon all of the prorations to be made and submit a statement to Escrow Holder setting forth the same. In the event that any prorations, apportionments or computations made under this Section 8 shall require final adjustment, then the parties shall make the appropriate adjustments promptly when accurate information becomes available and either party hereto shall be entitled to an adjustment to correct the same, but in no event shall such final adjustment occur later than two hundred seventy (270) days following the Close of Escrow. Any corrected adjustment or proration shall be paid in cash to the party entitled thereto. The provisions of this Section 8 shall survive the Close of Escrow.

9. Covenants of Seller. Seller hereby covenants with Buyer, as follows:

9.1 Contracts. Following the Effective Date, Seller shall not enter into any new contract pertaining to the Property, which by its terms cannot be terminated on or before the Closing, without the express written approval of Buyer, which approval shall not be unreasonably delayed, conditioned or withheld, provided that following the Contingency Date, Buyer shall have the right to withhold such consent in its sole and absolute discretion. Buyer's consent to such new contract shall be deemed to have been given if Buyer does not notify Seller to the contrary in writing within five (5) Business Days after Seller provides written notice to Buyer of such new contract.

9.2 Leases. Between the Effective Date and the Closing Seller will not enter into any new Leases that are for a period which will survive Closing or otherwise affect the use, operation or enjoyment of the Property after Closing (collectively, "New Leases") without Buyer's prior written consent, which consent following the Contingency Date, Buyer shall have the right to withhold in its sole and absolute discretion. Seller will provide Buyer with copies of all lease proposals and letters of intent upon the delivery or receipt thereof.

9.3 Operation in the Ordinary Course. Subject to Sections 9.1 and 9.2 above, from the Effective Date until the Close of Escrow, Seller shall (i) operate and manage the Property in the ordinary course and consistent with Seller's past practices, (ii) maintain all present services and amenities, (iii) maintain the Property in good condition, repair and working order, excepting normal wear and tear and casualty damage (and Seller shall not be required to make capital improvements), and (iv) keep on hand sufficient materials, supplies, equipment and other personal property for the efficient operation and management of the Property. None of the Personal Property shall be removed from the Real Property, unless replaced by unencumbered personal property of equal or greater utility and value. Without limitation of the foregoing, Seller will keep in full force and effect all existing insurance policies affecting the Property or any portion thereof through the Close of Escrow. Seller shall remain responsible for all charges, bills and invoices for utilities, labor, goods, materials and services of any kind relating to the Property for the period prior to the Closing Date and Seller shall not, directly or indirectly, (x) take action so as to cause the further encumbrance of the Property, or (y) take action so as to cause the recording of any lien thereon.

10. AS-IS Sale and Purchase.

10.1 Buyer's Acknowledgment. As a material inducement to Seller to enter into this Agreement and to convey the Property to Buyer, Buyer hereby acknowledges and agrees that:

10.1.1 AS-IS. Except as otherwise expressly set forth in this Agreement, and subject to Seller's representation and warranties set forth in this Agreement and/or in any Other Document, Buyer is purchasing the Property in its existing condition, "AS-IS, WHERE-IS, WITH ALL FAULTS," and upon the Closing Date has made or has waived all inspections and investigations of the Property and its vicinity which Buyer believes are necessary to protect its own interest in, and its contemplated use of, the Property.

10.1.2 No Representations. Other than the express representations and warranties of Seller contained in this Agreement and/or in any Other Document, neither Seller, nor any Seller Parties have made any representation, warranty, inducement, promise, agreement, assurance or statement, oral or written, of any kind to Buyer upon which Buyer is relying, or in connection with which Buyer has made or will make any decisions concerning the Property or its vicinity including, without limitation, its use, condition, value, compliance with "Governmental Regulations," the existence or absence of Hazardous Substances, or the permissibility, feasibility, or convertibility of all or any portion of the Property for any particular use or purpose, including, without limitation, its present or future prospects for sale, lease, development, occupancy or suitability as security for financing. As used herein, the term "Governmental Regulations" means any laws (including Environmental Laws), ordinances, rules, requirements, resolutions, policy statements and regulations (including, without limitation, those relating to land use, subdivision, zoning, Hazardous Substances, occupational health and safety, the Americans with Disabilities Act, water, earthquake hazard reduction, and building and fire codes) of any governmental or quasi-governmental body or agency claiming jurisdiction over the Property. As used in this Agreement, the following definitions shall apply: "Environmental Laws" shall mean all federal, state and local laws, ordinances, rules and regulations now or hereafter in force, as amended from time to time, and all federal and state court decisions, consent decrees and orders interpreting or enforcing any of the foregoing, in any way relating to or regulating human health or safety, or industrial hygiene or environmental conditions, or protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, and includes, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq., and the Clean Water Act, 33 U.S.C. § 1251, et seq., and any similar law of the State of California. "Hazardous Substances" shall mean any substance or material that is described as a toxic or hazardous substance, waste or material or a pollutant or contaminant, or words of similar import, in any of the Environmental Laws, and includes asbestos, petroleum (including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), petroleum-based products and petroleum additives and derived substances, lead-based paint, mold, fungi or bacterial matter, polychlorinated biphenyls, urea formaldehyde, radon gas, radioactive matter, medical waste, and chemicals which may cause cancer or reproductive toxicity.

10.1.3 No Implied Warranties. Excluding any express representation or warranty set forth herein or in any Other Document, Seller hereby specifically disclaims: (a) all warranties implied by law arising out of or with respect to the execution of this Agreement, any aspect or element of the Property, or the performance of Seller's obligations hereunder including, without limitation, all implied warranties of merchantability, habitability and/or fitness for a particular purpose; and (b) any warranty, guaranty or representation, oral or written, past, present or future, of, as to, or concerning (i) the nature and condition of the Property or other items conveyed hereunder, including, without limitation, the water, soil, and geology, the suitability thereof and of the Property or other items conveyed hereunder for any and all activities and uses which Buyer may elect to conduct thereon, the existence of any environmental hazards or conditions thereon (including but not limited to the presence of asbestos or other Hazardous Substances) or compliance with applicable Environmental Laws; (ii) the nature and extent of any right-of-way, lease, possession, lien, encumbrance, license, reservation, condition or otherwise; and (iii) the compliance of the property or other items conveyed hereunder or its operation with any governmental regulations.

10.1.4 Information Supplied by Seller. Buyer specifically acknowledges and agrees that, except as expressly contained in this Agreement, the Seller has made no representation or warranty of any nature concerning the accuracy or completeness of any documents delivered or made available for inspection by Seller to Buyer, including, without limitation, the Due Diligence Items, and that Buyer has undertaken such inspections of the Property as Buyer deems necessary and appropriate and that, subject to Seller's representation and warranties set forth in this Agreement and/or in any Other Document, Buyer is relying solely upon such investigations and not on any of the Due Diligence Items or any other information provided to Buyer by or on behalf of Seller. As to the Due Diligence Items, Buyer specifically acknowledges that they may have been prepared by third parties with whom Buyer has no privity and Buyer acknowledges and agrees that, except as expressly provided herein, no warranty or representation, express or implied, has been made, nor shall any be deemed to have been made, to Buyer with respect thereto, either by the Seller Parties or by any third parties that prepared the same.

10.1.5 Release. As of the Close of Escrow, Buyer on behalf of itself and on behalf of the Buyer Parties hereby forever, fully and irrevocably release Seller and Seller Parties from any and all claims that Buyer or Buyer Parties may have or thereafter acquire against Seller or Seller Parties for any cost, loss, liability, damage, expense, demand, action or cause of action ("**Claims**") arising from or related to any matter of any nature relating to, and condition of, the Property including any latent or patent construction defects, errors or omissions, compliance with law matters, Hazardous Substances and other environmental matters within, under or upon, or in the vicinity of the Property, any statutory or common law right Buyer or Buyer Parties may have to receive disclosures from Seller or Seller Parties, including, without limitation, any disclosures as to the Property's location within areas designated as subject to flooding, fire, seismic or earthquake risks by any federal, state or local entity, the need to obtain flood insurance, the certification of water heater bracing and/or the advisability of obtaining title insurance, the energy use of the Property, or any other condition or circumstance affecting the Property, its financial viability, use or operation, or any portion thereof. This release includes Claims of which Buyer or Buyer Parties are presently unaware or which Buyer or Buyer Parties do not presently suspect to exist in its favor which, if known by Buyer or Buyer Parties, would materially affect Buyer's or Buyer Parties' release of Seller or Seller Parties. In connection with the general release set forth in this Section 10.1.5, Buyer specifically waives on its behalf and behalf of Buyer Parties the provisions of California Civil Code Section 1542, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Notwithstanding anything to the contrary set forth in this Section 10.1.5, the foregoing release is not intended to and does not cover (i) Fraud (as defined below), (ii) any Claims arising from a breach of Seller's express representations or warranties set forth in this Agreement or in any Other Document, (iii) any other breach by Seller of an express obligation of Seller under this Agreement which by its terms survives the Close of Escrow, under the Leaseback Agreement or under any Other Document, or (iv) injuries to persons or property during Seller's ownership of the Property to the extent that the same are covered by insurance maintained by Seller (herein collectively the ""**Excluded Claims**"). The term "**Fraud**" means a final judicial determination by a court of competent jurisdiction that Seller deliberately and intentionally concealed or affirmatively misrepresented in writing any material, adverse facts relative to the Property as of Closing that (a) would be reasonably likely to be expected to cause Buyer to terminate the Escrow had such facts been disclosed to Buyer prior to Closing, and (b) are or were known by Seller prior to Closing.

Buyer also agrees never to commence, aid in any way, participate in, or prosecute against Seller or Seller Parties any action or other proceeding based upon any losses, liabilities, damages, claims, demands, causes of action, costs and expenses covered in this Section 10.1.5 (other than the Excluded Claims).

10.1.6 **Natural Hazard Disclosure.** Buyer and Seller acknowledge that Seller is required to disclose if any of the Property lies within the following natural hazard areas or zones: (i) a special flood hazard area designated by the Federal Emergency Management Agency; (ii) an area of potential flooding; (iii) a very high fire hazard severity zone; (iv) a wild land area that may contain substantial forest fire risks and hazards; (v) an earthquake fault or special studies zone; or (vi) a seismic hazard zone. Buyer acknowledges that Seller will employ the services of Disclosure Source ("**Natural Hazard Expert**") to examine the maps and other information specifically made available to the public by government agencies and to report the results of its examination to Buyer in writing. The written report prepared by the Natural Hazard Expert regarding the results of its examination fully and completely discharges Seller from its disclosure obligations referred to herein, and, for the purposes of this Agreement, the provisions of Civil Code Section 1103.4 regarding the non-liability of Seller for errors and/or omissions not within its personal knowledge shall be deemed to apply, and the Natural Hazard Expert shall be deemed to be an expert dealing with matters within the scope of its expertise with respect to the examination and written report regarding the natural hazards referred to above.

10.1.7 Energy Performance Disclosure Waiver. Buyer acknowledges that Seller may be required to disclose certain information concerning the energy performance of the Property pursuant to California Public Resources Code Section 25402.10 and the regulations adopted pursuant thereto (collectively the "**Energy Disclosure Requirements**"). Buyer hereby waives any rights under the Energy Disclosure Requirements and further waives any right to receive the Disclosure Summary Sheet, Statement of Energy Performance, Data Checklist, and Facility Summary, all as defined in the Energy Disclosure Requirements (collectively, the "**Energy Disclosure Information**"). Buyer, on its behalf and on behalf of Buyer Parties, hereby forever releases Seller and Seller Parties of any liability under the Energy Disclosure Requirements, including, without limitation, any liability of Seller or Seller Parties' arising as a result of Seller's or Seller Parties' failure to provide to Buyer the Energy Disclosure Information. Buyer's approval of the condition of the Property pursuant to the terms of this Agreement shall be deemed to be Buyer's approval of the energy performance of the Property. The terms of this Section shall survive the recordation of the Deed or earlier termination of this Agreement.

11. Seller's Representations and Warranties.

11.1 Representations and Warranties. Seller represents and warrants to Buyer as of the Effective Date as follows:

11.1.1 Formation; Authority. Seller is duly formed, validly existing, and in good standing under laws of the state of its formation. Seller has full power and authority to enter into this Agreement and to perform this Agreement. The execution, delivery and performance of this Agreement by Seller have been duly and validly authorized by all necessary action on the part of Seller and all required consents and approvals have been duly obtained. All requisite action has been taken by Seller in connection with the entering into of this Agreement and the instruments referenced herein and the consummation of the transactions contemplated hereby. The individual(s) executing this Agreement and the instruments referenced herein on behalf of Seller have the legal power, right and actual authority to bind Seller to the terms and conditions hereof and thereof.

11.1.2 No Conflict. The execution, delivery and performance of this Agreement and the Closing hereunder will not conflict with any agreement, contract or law applicable to Seller nor constitute a default under any agreement or instrument to which Seller is a party or by which Seller or the Property are bound.

11.1.3 Options. Seller has not entered, with any other party, into any existing or pending written contracts of sale, leases, options to purchase or rights of first refusal (or the like) with respect to the Property.

11.1.4 Leases. Subject to Seller's right to enter into New Leases pursuant to Section 9.2 above with Buyer's written consent, and other than the Leases identified in Section 1 above and the Leaseback Agreement, Seller has not entered into any other written leases, licenses or other similar occupancy agreements with respect to the leasing or occupancy of the Property. The copies of the Leases delivered or to be delivered to Buyer pursuant to this Agreement are or will be true, correct, and complete copies of all of the Leases in effect with respect to the Property as of the date of their delivery and at Closing there will be no unpaid tenant improvements, leasing concessions or brokerage commission due that have not been disclosed to Buyer in writing. Seller has not received any written notice of any default by Seller that is uncured under any Lease.

11.1.5 Contracts. To Seller's knowledge, and except as provided in the Due Diligence Items or as shown in the PTR, Seller is not currently a party to any management, service, supply, security, maintenance or other similar contracts or agreements, oral or written, that will affect the Property after Closing. The copies of the contracts delivered or to be delivered to Buyer pursuant to this Agreement are or will be true, correct, and complete copies of all of the contracts to which Seller is a party and in effect with respect to the Property as of the date of their delivery. Seller has not received any written notice of any default by Seller that is uncured under any contract.

11.1.6 Code Compliance. Except as otherwise disclosed in the Due Diligence Items or any other written information delivered by Seller to Buyer within three (3) Business Days after the Effective Date, Seller has not received any written notice from any governmental agency that the Property or any condition existing thereon or any present use thereof violates any law or regulations applicable to the Property, including, without limitation, any environmental law, ordinance or regulation and/or the Americans with Disabilities Act.

11.1.7 Litigation. Except as otherwise disclosed in the Due Diligence Items or any other written information delivered to Buyer within three (3) Business Days after the Effective Date, Seller has not received written notice of any litigation, arbitration or other legal or administrative suit, action, proceeding or investigation of any kind pending or threatened against or involving Seller relating to the Property or any part thereof, including, but not limited to, any condemnation action relating to the Property or any part thereof, which has not been adjudicated or dismissed prior to the Effective Date.

11.1.8 Foreign Person. Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder.

11.1.9 Hazardous Substances. Seller has provided Buyer with a true and complete copy of the most current Phase 1 environmental site assessment report pertaining to the Property in Seller's possession and except as otherwise disclosed in such Phase 1 environmental site assessment report, the other Due Diligence Items or any other written information delivered by Seller to Buyer within three (3) Business Days after the Effective Date, Seller has not received written notice of any release of Hazardous Substances has come to be located upon or under the Property. Except as otherwise disclosed in the Due Diligence Items or any other written information delivered by Seller to Buyer within three (3) Business Days after the Effective Date, Seller has not received written notice of any proceeding or inquiry by any governmental authority with respect to the presence of Hazardous Materials upon or under the Property or the migration thereof from or to other property.

11.1.10 Due Diligence Items. To Seller's knowledge, the copies of the Due Diligence Items delivered or made available to Buyer pursuant to Section 4.1.1 above constitute true and complete copies of such documents in Seller's possession. The schedule of Building-related expenses for the Property delivered or to be delivered to Buyer were prepared by or for Seller in the ordinary course of its business. Other than the Excluded Information, Seller's Representative has not intentionally elected to withhold materials, reports or other written information known to Seller concerning the Property in the nature of the Due Diligence Items on the grounds that it contains information which would have a materially adverse impact on the value or use of the Property.

11.1.11 Insolvency. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings, whether voluntary or involuntary, are pending or to Seller's knowledge, threatened against Seller, nor are any of such proceedings contemplated by Seller.

11.1.12 OFAC. Seller is not a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) or under any statute or executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism).

11.2 Subsequent Changes. If, after Effective Date, Seller first becomes aware of any fact or circumstance which would result in any of its representations or warranties contained herein being untrue or incorrect, then Seller will promptly give notice of such changed fact or circumstance to Buyer. Upon Buyer becoming actually aware of any fact or circumstance which would result in a breach of one of Seller's representations or warranties contained herein, Buyer, as its sole remedy, shall have the option of (i) waiving the breach of the representation or warranty and proceeding with the Close of Escrow, or (ii) terminating this Agreement, in which event the Deposit and any other funds deposited by Buyer into the Escrow and all interest earned thereon shall be returned to Buyer and, if (x) the representation and warranty was untrue when made as of the Effective Date, or (y) the failure of such representation and warranty to be true also constitutes, or was otherwise caused, a breach by Seller of any of its obligations under this Agreement (e.g., prior to the Effective Date, Seller had received written notice of an uncured release of Hazardous Substances under the Property and failed to include such notice in the Due Diligence Documents) or was otherwise caused by the affirmative acts or omissions of Seller in violation of a specific obligation expressly set forth in this Agreement, then Buyer may also pursue its remedies under Section 16.1 hereof. Any such election shall be made by Buyer not later than the earlier to occur of the Scheduled Closing Date or the date which is seven (7) days after the expiration of the notice and cure period set forth in Section 16.5 below. If Buyer does not so timely elect to terminate this Agreement pursuant to this Section 11.2, then Buyer shall be deemed to have elected to waive its rights to terminate this Agreement by reason of the existence of such fact or circumstance, elected to acquire the Property on the terms set forth in this Agreement, and waived all remedies at law or in equity with respect to any representations or warranties resulting from the facts or circumstances disclosed by Seller in its notice to Buyer.

11.3 Seller's Knowledge. Whenever phrases such as "**to Seller's knowledge**", "**known to Seller**" or "**Seller has no knowledge**" or similar phrases are used herein, they will be deemed to refer exclusively to matters within the current actual (as opposed to constructive) knowledge of the Seller's Representative. No duty of inquiry or investigation on the part of Seller or Seller's Representative will be required or implied by the making of any representation or warranty which is so limited to matters within Seller's actual knowledge, and Buyer agrees and acknowledges that in no event shall Seller's Representative have any personal liability therefor. Seller represents and warrants to Buyer that Seller's Representative is a person who has significant knowledge of the matters described in the representations and warranties in this Agreement which are limited by the knowledge of Seller.

11.4 Survival. All of the representations and warranties of Seller contained herein, and any representations and warranties of Seller contained in any document delivered to Buyer at Closing, shall not be deemed to have merged with the Deed and will survive Closing for a period of nine (9) months after the Closing Date ("**Survival Period**"). No claim for a breach of any representation or warranty of Seller will be actionable or payable if (i) Buyer does not notify Seller in writing of such breach and commence a "legal action" thereon within the Survival Period, or (ii) the breach in question results from or is based on a condition, state of facts or other matter which was actually known to Buyer prior to Closing.

12. Buyer's Representations and Warranties. Buyer represents and warrants to Seller as of the Effective Date, and as of the Closing Date, as follows:

12.1 Formation; Authority. Buyer is duly formed, validly existing and in good standing under laws of the state of its formation. Buyer has full power and authority to enter into this Agreement and has, or prior to Closing will have, full power and authority to consummate the Closing under this Agreement. The execution, delivery and performance of this Agreement by Buyer have been duly and validly authorized by all necessary action on the part of Buyer and all required consents and approvals have been duly obtained. Subject to the preceding provisions of this Section 12.1, all requisite action has been taken by Buyer in connection with the entering into of this Agreement and the instruments referenced herein and the consummation of the transactions contemplated hereby. The individual(s) executing this Agreement and the instruments referenced herein on behalf of Buyer have the legal power, right and actual authority to bind Buyer to the terms and conditions hereof and thereof.

12.2 No Conflicts. Neither the execution of this Agreement nor the consummation of the transactions contemplated in this Agreement will constitute a violation of, be in conflict with, or constitute a default under (or with the passage of time or delivery of notice, or both, would constitute a default under) any term or provision of Buyer's operating agreement or any other agreement or other instrument to which Buyer is bound.

12.3 Funds. Buyer has (or shall have at Closing) the requisite funds in cash or cash equivalents to pay the Purchase Price and any other sums due and owing from Buyer under this Agreement; it being agreed and acknowledged that in no event shall this Agreement or the Close of Escrow be contingent or conditioned upon Buyer obtaining financing or other funds necessary to pay the Purchase Price and any other sums due and owing from Buyer under this Agreement.

12.4 OFAC. Buyer is not a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the OFAC (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) or under any statute or executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism).

12.5 Survival. All of the representations and warranties of Buyer contained herein, and any representations and warranties of Buyer contained in any document delivered to Seller at Closing, shall not be deemed to have merged with the Deed and will survive Closing for the Survival Period. No claim for a breach of any representation or warranty of Buyer will be actionable or payable if (i) Seller does not notify Buyer in writing of such breach and commence a "legal action" thereon within the Survival Period, or (ii) the breach in question results from or is based on a condition, state of facts or other matter which was actually known to Seller prior to Closing.

13. Casualty and Condemnation.

13.1 Material Casualty. In the event that prior to the Close of Escrow the Real Property, or any material portion thereof, is destroyed or materially damaged, Buyer shall have the right, exercisable by giving written notice to Seller within ten (10) Business Days after receipt of written notice from Seller of such damage or destruction, either (i) to terminate this Agreement in which event the Deposit shall be immediately returned to Buyer, any other money or documents in Escrow shall be returned to the party depositing the same, and thereafter neither party shall have any further rights or obligations hereunder except for Seller's and Buyer's obligations and indemnities under this Agreement that by their terms expressly survive the termination of this Agreement, or (ii) to accept the Real Property in its then condition and to proceed with the consummation of the transaction contemplated by this Agreement, with an abatement or reduction in the Purchase Price in the amount of the deductible for the applicable insurance coverage, and to receive a full assignment of all of Seller's rights to any insurance proceeds payable by reason of such damage or destruction. If Buyer elects to proceed under clause (ii) above, Seller shall not compromise, settle or adjust any claims to such proceeds without Buyer's prior written consent.

13.2 Non-Material Casualty. In the event that prior to the Close of Escrow there is any non-material damage to the Real Property, or any part thereof, Seller may repair or replace such damage prior to the Close of Escrow. However, in the event Seller elects not to repair or replace such damage, Seller shall notify Buyer in writing of such fact (the "**Non-Repair Notice**") and Buyer shall thereafter accept the Real Property in its then condition, and proceed with the transaction contemplated by this Agreement and Buyer shall receive an abatement or reduction in the Purchase Price in the amount of the deductible for the applicable insurance coverage, and Buyer shall be entitled to a full assignment of all of Seller's rights to any insurance proceeds payable by reason of such damage or destruction. In the event Seller does not repair or replace such damages, Seller shall not compromise, settle or adjust any claims to such proceeds without Buyer's prior written consent.

13.3 Material Condemnation. In the event that prior to the Close of Escrow, all or any material portion of the Real Property is subject to a taking by a public or governmental authority, Buyer shall have the right, exercisable by giving written notice to Seller within ten (10) Business Days after receiving written notice of such taking, either (i) to terminate this Agreement, in which event the Deposit shall be immediately returned to Buyer, any other money or documents in Escrow shall be returned to the party depositing the same, and (ii) to accept the Real Property in its then condition, without a reduction in the Purchase Price, and to receive a full assignment of all of Seller's rights to any condemnation award or proceeds payable by reason of such taking. If Buyer elects to proceed under clause (ii) above, Seller shall not compromise, settle or adjust any claims to such award without Buyer's prior written consent.

13.4 Non-Material Condemnation. In the event that prior to the Close of Escrow, any non-material portion of the Real Property is subject to a taking by any public or governmental authority, Buyer shall accept the Real Property in its then condition and proceed with the consummation of the transaction contemplated by this Agreement, in which event Buyer shall be entitled to a full assignment of all of Seller's rights to any award or proceeds payable in connection with such taking. In the event of any such non-material taking, Seller shall not compromise, settle or adjust any claims to such award without Buyer's prior written consent.

13.5 Materiality Standard. For purposes of this Section 13, damage to the Real Property or a taking of a portion thereof shall be deemed to involve a material portion thereof if (i) the estimated cost of restoration or repair, as estimated by Buyer and Seller in their reasonable discretion, of such damage shall exceed Five Hundred Thousand Dollars (\$500,000), (ii) the amount of the condemnation award with respect to such taking shall exceed Five Hundred Thousand Dollars (\$500,000), or (iii) there is any actual or threatened condemnation or eminent domain action of any direct or indirect material access to the Property or that would result in the Property being non-conforming under current zoning.

13.6 Notice of Casualty and Condemnation. Seller agrees to give Buyer prompt written notice of any taking of, proposed taking of, damage to or destruction of the Real Property and, as soon thereafter as reasonably practicable, the estimated cost of restoration or repair.

13.7 Uninsured Casualty. Notwithstanding anything in this Section 13 to the contrary, in the event that prior to the Close of Escrow the Real Property, or any portion thereof, is damaged or destroyed and the damage or destruction arises out of an uninsured risk and (i) Buyer has not elected to terminate this Agreement pursuant to Section 13.1 above, or (ii) if the value of the Property destroyed or damaged is equal to or less than Five Hundred Thousand Dollars (\$500,000.00), then Seller shall advise Buyer, by written notice within ten (10) days of the occurrence of such damage or destruction, whether or not Seller will agree to close the transaction contemplated hereby with a reduction of the Purchase Price equal to the costs of repairing the Property, as reasonably estimated by an engineer engaged by Seller and reasonably acceptable to Buyer. If Seller fails to agree to provide such credit, Buyer shall have the right to terminate this Agreement by delivery of written notice to Seller within five (5) Business Days following Buyer's receipt of such written notice from Seller.

14. Notices. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered (including by means of professional messenger service or reputable air express service utilizing receipts) or sent by telecopy, receipt confirmed, or email transmission and shall be deemed received upon the date of receipt thereof if received prior to 5:00 p.m. Pacific time, and if not so received, shall be deemed received upon the following Business Day; provided that any notice sent by email transmission must be either (i) followed by a confirmatory notice sent by national overnight delivery service or personal delivery within two (2) Business Days thereafter, or (ii) acknowledged as being received by the party to whom notice is given.

To Seller: Cohu, Inc.
12367 Crosthwaite Circle
Poway, California 92064
Attn: John H. Allen
Fax No.: (858) 848-8185
E-mail: jallen@cohu.com

and: Crosbie Gliner Schiffman Southard & Swanson LLP
12750 High Bluff Drive, Suite 250
San Diego, California 92130
Attn: Thomas B. Crosbie, Esq.
Fax No.: (858) 345-1991
E-mail: tcrosbie@cgs3.com

To Buyer: At Buyer's Notice Address set forth in the Summary and Definitions of Basic Terms.

To Escrow Holder: At Escrow Holder's Address set forth in the Summary and Definitions of Basic Terms.

Notice of change of address shall be given by written notice in the manner detailed in this Section 14.

15. Broker Commissions. Upon the Close of Escrow, Seller shall pay a real estate brokerage commission to Broker with respect to this Agreement in accordance with Seller's separate agreement with Broker. Seller represents and warrants to Buyer, and Buyer represents and warrants to Seller, that no other broker or finder has been engaged by it, respectively, in connection with any of the transactions contemplated by this Agreement, or to its knowledge is in any way connected with any of such transactions. In the event of any additional claims for brokers' or finders' fees or commissions in connection with the negotiation, execution or consummation of this Agreement, then as a covenant which shall survive the termination of this Agreement or the Close of Escrow, Buyer shall protect, defend, indemnify and hold Seller harmless from and against such claims if they shall be based upon any statement or representation or agreement by Buyer, and Seller shall protect, defend, indemnify and hold Buyer harmless if such claims shall be based upon any statement, representation or agreement made by Seller.

16. Default.

16.1 Default by Seller. In the event that the Close of Escrow does not occur as herein provided by reason of any material default of Seller and provided Buyer is not otherwise in default, Buyer may, at its option and as its exclusive remedy, either (i) terminate this Agreement by giving written notice of termination to Seller whereupon Escrow Holder will return to Buyer the Deposit, Seller shall reimburse Buyer for all costs and expenses incurred by Buyer in connection with the transactions contemplated by this Agreement, including, without limitation, attorney's fees and expenses, costs incurred as part of due diligence reviews and the performance of Buyer's obligations hereunder and any fees or deposits forfeited to Buyer's lender up to a maximum aggregate amount of One Hundred Thousand Dollars (\$100,000.00) (collectively, "Transaction Costs"), and both Buyer and Seller will be relieved of any further obligations or liabilities hereunder, except for those obligations which expressly survive any termination hereof, or (ii) Buyer may seek specific performance of this Agreement. If Buyer elects the remedy in subsection (ii) above, Buyer must commence and file such specific performance action in the appropriate court not later than forty-five (45) days following the scheduled Closing Date. If Buyer timely brings an action for specific performance under and pursuant to the terms of subsection (ii) above and the remedy of specific performance is not available because Seller conveyed the Property to another party or Seller subjected the Property to a Monetary Lien in an amount greater than the Purchase Price, in each case prior to the date that is thirty (30) days after the date upon which Buyer or Seller has delivered written notice of termination of this Agreement to the other, then Buyer shall have the right to bring a claim against Seller to recover Buyer's full actual damages arising from Buyer's inability to purchase the Property. Except as specifically set forth in this Section 16.1, Buyer does hereby specifically waive any right to pursue any other remedy at law or equity for such default of Seller, including, without limitation, any right to seek, claim or obtain damages, punitive damages or consequential damages; provided, however, that nothing herein shall vitiate or limit any right or remedy Buyer may have with respect to claims of Seller against Buyer to the extent based upon Seller's Fraud.

16.2 Default by Buyer. IN THE EVENT THE CLOSE OF ESCROW DOES NOT OCCUR AS HEREIN PROVIDED BY REASON OF ANY MATERIAL DEFAULT OF BUYER (A "BUYER DEFAULT") AND PROVIDED SELLER IS NOT OTHERWISE IN DEFAULT, BUYER AND SELLER AGREE THAT IT WOULD BE IMPRACTICAL AND EXTREMELY DIFFICULT TO ESTIMATE THE DAMAGES WHICH SELLER MAY SUFFER. THEREFORE BUYER AND SELLER DO HEREBY AGREE THAT A REASONABLE ESTIMATE OF THE TOTAL NET DETRIMENT THAT SELLER WOULD SUFFER IN THE EVENT OF A BUYER DEFAULT IS AND SHALL BE AN AMOUNT EQUAL TO THE DEPOSIT; AND, AS SELLER'S SOLE AND EXCLUSIVE REMEDY (WHETHER AT LAW OR IN EQUITY), SAID AMOUNT SHALL BE PAID TO SELLER AS THE FULL, AGREED AND LIQUIDATED DAMAGES FOR A BUYER DEFAULT, ALL OTHER CLAIMS TO DAMAGES OR OTHER REMEDIES IN RESPECT OF A BUYER DEFAULT BEING HEREIN EXPRESSLY WAIVED BY SELLER. SUCH PAYMENT IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677. NOTHING CONTAINED IN THIS SECTION SHALL LIMIT SELLER'S RIGHT TO RECEIVE REIMBURSEMENT FOR COSTS AND EXPENSES PURSUANT TO SECTION 18.5 BELOW, NOR WAIVE OR AFFECT BUYER'S INDEMNITY AND CONFIDENTIALITY OBLIGATIONS HEREUNDER.

SELLER'S INITIALS

BUYER'S INITIALS

16.3 Indemnities; Defaults after Closing or Termination. The limitations on the parties' remedies set forth in Sections 16.1 and 16.2 will not be deemed to prohibit either party from (i) specifically seeking indemnification from the other for any matter with respect to which such other party has agreed hereunder to provide indemnification or from seeking damages from such other party in the event it fails or refuses to provide such indemnification; (ii) subject to the terms, conditions and limitations of this Agreement, seeking damages incurred during the period of time after Closing that a representation or warranty by the other party hereunder survives Closing, for the other party's breach of such representation or warranty discovered after such Closing; or (iii) subject to the terms, conditions and limitations of this Agreement, seeking damages or such equitable relief as may be available for the other party's failure to perform after any termination of this Agreement any obligation hereunder which expressly survives such termination; provided, however, that, except as expressly set forth in Sections 16.1 and/or 16.2 above, in no event whatsoever will either party be entitled to recover from the other any punitive, special, consequential or speculative damages.

SELLER'S INITIALS

BUYER'S INITIALS

16.4 Limited Liability. Notwithstanding anything to the contrary herein, Buyer on its own behalf and on behalf of Buyer Parties hereby agrees that in no event or circumstance shall any of the Seller Parties have any personal liability under this Agreement. Buyer on its own behalf and on behalf of Buyer Parties agrees to look solely to Seller and its assets for the satisfaction of any liability or obligation arising under this Agreement and the transactions contemplated hereby, or for the performance of any of the covenants, warranties or other agreements contained herein, and further agrees not to sue or otherwise seek to enforce any personal obligation against any of Seller Parties with respect to any matters arising out of or in connection with this Agreement or the transactions contemplated hereby; provided, however, to the extent that Buyer obtains a final non-appealable judgment against Seller, and Seller does not have sufficient assets to satisfy such judgment because Seller distributed assets to any of the Seller Parties, Buyer may proceed against any such Seller Parties, but only to the extent of assets distributed to any such Seller Parties and subject to the Cap Amount (as defined below). Notwithstanding anything to the contrary contained herein: (a) the maximum aggregate liability of Seller or Seller Parties, and the maximum aggregate amount which may be awarded to and collected by Buyer or Buyer Parties (including, without limitation, for any breach of any representation, warranty and/or covenant of Seller) under this Agreement or the Exhibits attached hereto (collectively, the "Other Documents") shall, under no circumstances whatsoever, exceed One Million Two Hundred Fifty Thousand Dollars (\$1,250,000.00) (the "CAP Amount"); (b) Buyer shall notify Seller in writing of any claim of any breach of any representation, warranty and/or covenant of Seller under the Agreement or the Other Documents and commence a "legal action" thereon within the Survival Period; and (c) no claim by Buyer alleging a breach by Seller of any representation, warranty and/or covenant of Seller contained herein or any of the Other Documents may be made, and Seller shall not be liable for any judgment in any action based upon any such claim, unless and until such claim, either alone or together with any other claims by Buyer alleging a breach by Seller of any such representation, warranty and/or covenant, is for an aggregate amount in excess of \$25,000.00 (the "Floor Amount"), in which event Seller's liability respecting any final judgment concerning such claim or claims shall be for the entire amount thereof, subject to the CAP Amount set forth in clause (a) above; provided, however, that if any such final judgment is for an amount that is less than or equal to the Floor Amount, then Seller shall have no liability with respect thereto. Notwithstanding the foregoing or anything contained in this Agreement to the contrary, nothing shall vitiate or limit any right or remedy Buyer may have with respect to claims of Seller against Buyer to the extent based upon Seller's Fraud. Seller covenants that during the Survival Period it shall (i) at all times be and remain in good standing under the laws of the state of its formation, and (ii) retain sufficient funds following the Closing to satisfy all of Seller's post-closing obligations under this Agreement and/or under any Other Document. Seller's obligations under this Section 16.4 shall survive the Closing.

16.5 Notice and Opportunity to Cure. Neither party shall be deemed to be in default hereunder unless the party claiming such default shall have given written notice to the party claimed to be in default and the party claimed to be in default shall not have cured such notice of default within five (5) Business Days after receipt of notice of default; provided, however, in no event shall (i) the provisions of this Section 16.5 apply to the failure by Buyer to timely deliver the Additional Deposit, the extension payment required by Section 3.2 above, or the Purchase Price, or (ii) the Closing be extended or delayed to permit the cure of a default pursuant to this Section 16.5.

17. Assignment. Buyer may not assign, transfer or convey its rights and obligations under this Agreement without the prior written consent of Seller, which consent shall be granted or withheld in Seller's sole and absolute discretion; provided that Buyer shall have the right, without Seller's consent, to assign its rights and obligations under this Agreement to any entity in which Buyer or its sole member has an interest or in the name of one or more institutional investors for which Buyer, its sole member or one of their respective affiliates, is then acting as investment, development or construction manager. No such assignment shall relieve Buyer from its liability under this Agreement, unless and until the Closing (at which time the original Buyer hereunder shall be deemed released), and any assignee shall assume all of Buyer's obligations hereunder and succeed to all of Buyer's rights and remedies hereunder. Any assignment and assumption must be in writing and a copy of such writing shall be delivered to Seller at least five (5) Business Days prior to the Closing Date. As used herein, "control" (and all variations thereof) shall mean the ownership, directly or indirectly, of at least fifty percent (50%) or more of the voting securities of, or possession of the right to vote, in the ordinary direction of its affairs, of at least fifty percent (50%) or more of the voting interest in, any person or entity.

18. Miscellaneous.

18.1 Governing Law. The parties hereto expressly agree that this Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of California.

18.2 Partial Invalidity. If any term or provision or portion thereof of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision or portion thereof to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

18.3 Waivers. No waiver of any breach of any covenant or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision herein contained. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act.

18.4 Successors and Assigns. Subject to the provisions of Section 17, this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto.

18.5 Professional Fees. In the event of the bringing of any action or suit by a party hereto against another party hereunder by reason of any breach of any of the covenants, agreements or provisions on the part of the other party arising out of this Agreement, then in that event the prevailing party shall be entitled to have and recover of and from the other party all costs and expenses of the action or suit and any appeals therefrom, and enforcement of any judgment in connection therewith, including actual attorneys' fees, accounting and engineering fees, and any other professional fees resulting therefrom.

18.6 Entire Agreement. This Agreement (including all Exhibits attached hereto) is the final expression of, and contains the entire agreement between, the parties with respect to the subject matter hereof and supersedes all prior understandings with respect thereto. This Agreement may not be modified, changed, supplemented or terminated, nor may any obligations hereunder be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein. This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which together shall constitute a single instrument. The parties do not intend to confer any benefit hereunder on any person, firm or corporation other than the parties hereto.

18.7 Time of Essence/Business Days. Seller and Buyer hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof and that failure to timely perform any of the terms, conditions, obligations or provisions hereof by either party shall constitute a material breach of and a non-curable (but waivable) default under this Agreement by the party so failing to perform. Unless the context otherwise requires, all periods terminating on a given day, period of days, or date shall terminate at 5:00 p.m. (Pacific time) on such date or dates, and references to "days" shall refer to calendar days except if such references are to "Business Days" which shall refer to days which are not Saturday, Sunday or a legal holiday under the laws of the United States. Notwithstanding the foregoing, if any event is specified to occur, or any period is scheduled to terminate, on a Saturday, Sunday or a legal holiday under the laws of the United States, such event or termination of such period shall occur on the next succeeding Business Day.

18.8 **Construction.** Headings at the beginning of each paragraph and subparagraph are solely for the convenience of the parties and are not a part of the Agreement. Whenever required by the context of this Agreement, the singular shall include the plural and the masculine shall include the feminine and vice versa. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same. Unless otherwise indicated, all references to sections are to this Agreement. All exhibits referred to in this Agreement are attached and incorporated by this reference. In the event the date on which Buyer or Seller is required to take any action under the terms of this Agreement is not a Business Day, the action shall be taken on the next succeeding Business Day.

19. **Exchange.** Upon the request of a party hereto (the "**Requesting Party**"), the other party (the "**Cooperating Party**") shall cooperate with the Requesting Party in Closing the sale of the Property in accordance with this Agreement so as to qualify such transaction as an exchange of like-kind property; provided, however, the Cooperating Party shall not be required to take title to any exchange property and the Cooperating Party will not be required to agree to or assume any covenant, obligation or liability in connection therewith, the Closing hereunder shall not be delayed as a result of, or conditioned upon, such exchange, the Requesting Party shall pay all costs associated with such exchange, and the Requesting Party shall remain primarily liable under this Agreement and indemnify the Cooperating Party from any liability in connection with such exchange.

20. **Confidentiality.** Buyer agrees that (a) except as otherwise provided or required by valid law (including any Seller obligation to disclose the transactions contemplated by this Agreement pursuant to the rules and regulations of the Securities and Exchange Commission) or court order, (b) except to the extent Buyer considers such documents or information reasonably necessary to prosecute and/or defend any claim made with respect to the Property or this Agreement, (c) except to the Title Company and/or Escrow Holder, (d) except to the extent that such information is a matter of public record, and (e) except to the extent reasonably necessary to deliver such documents or information to the Buyer's and Buyer's Parties' respective employees, paralegals, attorneys, consultants potential lenders and/or financing sources in connection with Buyer's evaluation or financing of this transaction, Buyer, Buyer's Parties and Buyer Parties' agents and consultants (collectively, the "**Buyer's Representatives**"), shall keep and maintain the contents of (x) any non-public materials, reports, documents, data, test results, and other information related to the transaction contemplated hereby, including, without limitation, the Due Diligence Items and all information regarding Buyer's acquisition or ownership of the Property strictly confidential, (y) this Agreement, including, without limitation, the amount of consideration being paid by Buyer for the Property strictly confidential (collectively, the "**Confidential Information**"). In addition Buyer and Buyer's Representatives and Seller and the Seller Parties shall refrain from generating or participating in any publicity or press release regarding this transaction without the prior written consent of the other party, except that if the transaction contemplated by this Agreement closes, Buyer and the Buyer Parties shall have the right, without obtaining the consent of Seller, to issue a press release regarding the acquisition of the Property, without referring to Seller or any of its affiliates and without including the terms of this Agreement. Buyer acknowledges that significant portions of the Due Diligence Items are proprietary in nature and that Seller would suffer significant and irreparable harm in the event of the misuse or disclosure of the Due Diligence Items. Without affecting any other rights or remedies that either party may have, Buyer acknowledges and agrees that Seller shall be entitled to seek the remedies of injunction, specific performance and other equitable relief for any breach, threatened breach or anticipatory breach of the provisions of this Section 20 by Buyer or any of Buyer's Representatives. Notwithstanding the foregoing, the parties agree that the term "Confidential Information" does not include information which (i) is or becomes generally available to the public other than as a result of wrongful disclosure by Buyer; (ii) prior to or subsequent to disclosure by Buyer hereunder is lawfully received from a third party having the right to disseminate the information, without notice of any restriction against its further disclosure; or (iii) is generated independently by Buyer from sources other than the Confidential Information without violating any of the obligations under this Agreement. The provisions of this Section 20 shall survive any termination of this Agreement but shall not survive the Closing except for Buyer's covenant in clause (y) hereof and Buyer and Seller's covenants regarding press releases, which covenants shall survive the Closing.

20.1 Counterparts. This Agreement may be executed in counterparts, each of which when executed shall be deemed an original and all of which counterparts taken together shall constitute but one and the same instrument. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to form one document.

20.2 Electronic Signatures. Signatures to this Agreement transmitted by facsimile or by electronic transmission shall be valid and effective to bind the party so signing. Each party agrees to promptly deliver an execution original of this Agreement with its actual signature to the other party, but a failure to do so shall not affect the enforceability of this Agreement, it being expressly agreed that each party to this Agreement shall be bound by its own telecopied or scanned signature and shall accept the telecopied or scanned signature of the other party to this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year hereinabove written.

"SELLER"

COHU, INC.,
a Delaware corporation

By: /s/ Jeffrey D. Jones
Name: Jeffrey D. Jones
Title: V.P. Finance and CFO

"BUYER"

ACTH II LLC,
a Delaware limited liability company

By: /s/ Dominic J. Petrucci
Name: Dominic J. Petrucci
Title: Authorized Signatory

JOINDER BY ESCROW HOLDER

Escrow Holder (as defined in Section 8 of Article I above) hereby acknowledges that it has received this Agreement executed by the Seller and Buyer and accepts the obligations of and instructions for the Escrow Holder set forth herein. Escrow Holder agrees to disburse and/or handle the Deposit, the Purchase Price and all closing documents in accordance with this Agreement.

Dated: _____, 2015

CHICAGO TITLE COMPANY,
a California corporation

By: _____
Name: _____
Title: _____

EXHIBIT "A"

LEGAL DESCRIPTION

That certain real property located in the City of Poway, County of San Diego, State of California, described as follows:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCELS 101, 102 AND A PORTION OF PARCEL 103 OF [PARCEL MAP NO. 16320](#), IN THE CITY OF POWAY, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 10, 1990 ACCORDING TO CERTIFICATE OF COMPLIANCE RECORDED JULY 1, 1992 AS FILE NO. [1992-414194](#) OF OFFICIAL RECORDS, DESCRIBED AS A WHOLE AS FOLLOWS:

BEGINNING AT THE NORTHEASTERLY CORNER OF PARCEL 105 OF PARCEL MAP 16320
NORTH 39° 45' 33" WEST 618.40 FEET; THENCE,
NORTH 00° 07' 57" EAST 584.60 FEET; THENCE,
SOUTH 88° 28' 24" EAST 290.00 FEET; THENCE,
SOUTH 00° 07' 57" WEST 46.94 FEET; THENCE,
SOUTH 82° 46' 00" EAST 506.32 FEET; THENCE,
SOUTH 63° 08' 00" EAST 170.54 FEET; THENCE,
NORTH 88° 08' 00" EAST 253.23 FEET; THENCE,
SOUTH 03° 51' 02" WEST 673.92 FEET; THENCE,
SOUTH 87° 26' 00" WEST 482.83 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE
SOUTHEASTERLY WITH A RADIUS OF 324.50 FEET; THENCE, ALONG SAID CURVE CENTRAL ANGLE 60° 48'
13" A LENGTH OF 344.37 FEET TO THE POINT OF BEGINNING, A RADIAL TO SAID CURVE BEARS NORTH 63°
22' 13" WEST.

EXCEPTING THEREFROM ALL MINERALS, OILS, GAS, PETROLEUM, OTHER HYDROCARBON
SUBSTANCES AND ALL UNDERGROUND WATER IN OR UNDER OR WHICH MAY BE PRODUCED FROM
SAID PROPERTY WHICH UNDERLIES A PLANE PARALLEL TO AND 500 FEET BELOW THE PRESENT
SURFACE OF SAID PROPERTY FOR THE PURPOSE OF PROSPECTING FOR, THE EXPLORATION,
DEVELOPMENT, PRODUCTION, EXTRACTION AND TAKING OF SAID MINERALS, OIL, GAS,
PETROLEUM, OTHER HYDROCARBON SUBSTANCES AND WATER FROM SAID PROPERTY BUT WITHOUT
THE RIGHT TO ENTER UPON THE SURFACE OR ANY PORTION THEREOF ABOVE SAID PLANE
PARALLEL TO AND 500 FEET BELOW THE PRESENT SURFACE OF THE SAID PROPERTY FOR ANY
PURPOSE WHATSOEVER.

EXHIBIT "A"

EXHIBIT "B"

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

(Above Space For Recorder's Use Only)

GRANT DEED

The undersigned grantor(s) declare(s):

Documentary Transfer Tax: \$_____
 Computed on full value of property conveyed.

City of _____
County of _____

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, _____, a _____, hereby GRANTS to _____, a _____, that certain real property which is more particularly described on Exhibit "A" which is attached hereto.

Subject to:

1. Nondelinquent taxes and assessments; and
2. All matters of record recorded in the Official Records of San Diego County or that would be readily visible from a reasonable inspection of the property or which an accurate ALTA survey of the property would disclose.

Dated: _____, 201_

a _____

By: _____
Name: _____
Title: _____

EXHIBIT "B"

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name of notary)

Notary Public, personally appeared ____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT "B"

EXHIBIT "A" TO GRANT DEED

LEGAL DESCRIPTION

That certain real property located in the City of _____, County of _____, State of California, described as follows:

[TO BE PROVIDED]

EXHIBIT "B"

EXHIBIT "C"

RESERVED

EXHIBIT "C"

EXHIBIT "D"

FORM OF BUYER'S APPROVAL NOTICE

[TO BE PLACED ON BUYER LETTERHEAD]

Attn: _____

Re: Buyer's Approval Notice (this "**Notice**"); Agreement of Purchase and Sale and Joint Escrow Instructions by and between [_____] ("**Seller**") and [_____] ("**Buyer**") dated as of [____], 201__ (the "**Agreement**")

Gentlemen:

This letter shall serve as Buyer's Approval Notice pursuant to Section 4.1.4 of the Agreement and notice of Buyer's election to proceed with the transaction contemplated in the Agreement past the expiration of the Property Approval Period. Buyer has waived its right to terminate the Agreement under Sections 4.1.4 and 4.2.1 of the Agreement. Additionally, Buyer hereby acknowledges that, in accordance with the terms of Section 4.2 of the Agreement, except for the Monetary Liens and any objection set forth in the Title Notice which Seller has elected to cure in Seller's Response, all matters shown in the PTR and the Survey are hereby approved by Buyer. All capitalized terms used herein shall have the meaning given such terms in the Agreement unless otherwise expressly provided herein.

Sincerely,

[_____]

By: _____

Name: _____

Its: _____

EXHIBIT "D"

EXHIBIT "E"

BILL OF SALE

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, _____, a _____, ("**Seller**"), does hereby GRANT, SELL, CONVEY, TRANSFER AND DELIVER to _____, a _____ ("**Buyer**"), without any warranty of any kind, any and all of Seller's right, title and interest in and to the personal property owned and utilized by Seller in connection with the operation and management of, and located at, the real property described in Exhibit "A" attached hereto and made a part hereof (the "**Property**"). Notwithstanding the foregoing, Seller hereby represents and warrants that Seller has not previously conveyed, assigned or encumbered by financing lien any such personal property.

IN WITNESS WHEREOF, this Bill of Sale has been executed as of this ____ day of _____, 201__.

SELLER:

_____,
a _____

BUYER:

_____,
a _____

EXHIBIT "E"

EXHIBIT "F"

GENERAL ASSIGNMENT

This General Assignment is made as of the ____ day of _____, 201__ ("**Assignment Date**"), by _____, a _____, (the "**Assignor**"), and _____, a _____ (the "**Assignee**").

Pursuant to that certain Agreement of Purchase and Sale and Joint Escrow Instructions dated as of _____, 201__ (the "**Purchase Agreement**"), Assignee has this day acquired from Assignor the Property. Capitalized terms used herein shall have the meanings ascribed to them in the Purchase Agreement.

In consideration of the acquisition of the Property by Assignee and other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Assignment.** Assignor hereby assigns, transfers and sets over unto Assignee, without representation or warranty of any kind, and Assignee hereby accepts from Assignor, any and all of Assignor's right, title and interest in and to (i) all freely transferable warranties and guaranties (the "**Warranties and Guaranties**"), if any, with respect to the Property, (ii) all freely transferable consents, authorizations, variances or waivers, licenses, permits and approvals and certificates of occupancy ("**Approvals**") from any governmental or quasi-governmental agency, department, board, commission, bureau or other entity or instrumentality of any nature relating solely to the Property, and (iii) all other intangible rights and property owned by Seller and used in connection with the Property (the "**Other Intangible Property**"). Assignor warrants to Assignee that Assignor owns all right, title and interest in the property being assigned and conveyed pursuant to this Assignment, free and clear of any lien, security interest or adverse claim.

2. **Further Assurances.** Assignor hereby covenants that Assignor will, at any time and from time to time upon written request therefor, execute and deliver to Assignee, Assignee's successors, nominees or assigns, at no cost or expense to Assignor, such documents as Assignee or they may reasonably request in order to fully assign and transfer to and vest in Assignee or Assignee's successors, nominees and assigns the property being assigned and conveyed pursuant to this Assignment.

3. **Counterparts.** This Assignment may be executed in counterparts, each of which shall be deemed an original, and all of which shall taken together be deemed one document.

4. **Survival.** This Assignment and the provisions hereof shall inure to the benefit of and be binding upon the parties to this Assignment and their respective successors, heirs and permitted assigns.

5. **No Third Party Beneficiaries.** Except as otherwise expressly set forth herein, Assignor and Assignee do not intend, and this Assignment shall not be construed, to create a third-party beneficiary status or interest in, nor give any third-party beneficiary rights or remedies to, any other person or entity not a party to this Assignment.

EXHIBIT "F"

6. Governing Law. This Assignment shall be governed by, interpreted under, and construed and enforceable in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, Assignor and Assignee have caused this instrument to be executed as of the date above-written.

"ASSIGNOR"

_____,
a _____

"ASSIGNEE"

_____,
a _____

EXHIBIT "F"

EXHIBIT "G"

FORM OF TENANT ESTOPPEL CERTIFICATE

[Name of Buyer]

Attn: _____

Re: [Address of Property] Suite: _____
Tenant: [Name of Tenant]

Gentlemen:

You are hereby advised that the undersigned is the Tenant and present occupant of a portion of those certain premises comprising real property and improvements thereon commonly known as _____ located in _____, California (the "**Premises**"). The undersigned hereby certifies:

1. The Premises are leased under the provisions of a lease agreement dated _____, _____ between Tenant and _____ ("**Landlord**"). The lease agreement is valid and in full force and effect and has not been modified except by document(s) dated _____, _____; true, complete and correct copy(ies) of the Lease and all such amendments are attached hereto, and the same contain all of the understandings and agreements between Landlord and Tenant (herein collectively referred to as the "**Lease**"). Tenant's leased Premises contain _____ rentable square feet.
2. The commencement date of the term of the Lease is _____, _____ and the expiration date is _____, 20____; and the undersigned's obligation to pay rent has commenced.
3. The Lease provides for an option to renew the Lease term as follows: _____, at a rental rate of \$_____.
4. The Lease provides for rent payable as follows:
 - a. Current minimum fixed monthly rent: \$_____ with future escalations as follows: _____.
 - b. No rent has been paid by Tenant in advance under the Lease except for the minimum monthly rent that became due for the current month. The minimum rent has been paid through _____, 20_____.
 - c. The Lease provides for the Tenant to pay its pro rata share of property operating expenses, including but not limited to insurance and real property taxes.

EXHIBIT "G"

- d. The Lease provides for the payment of percentage rent as follows: _____.
5. The Lease contains no first right of refusal, right of first offer, option to expand, option to terminate, or exclusive business or use rights, except as follows: _____.
6. The Lease contains no options to purchase or right of first offer, right of first refusal, right of first negotiation or any other preferential right to purchase all or any part of the Premises or all or any part of the building or project of which the Premises are a part.
7. Landlord is holding a security deposit of \$_____ and, to Tenant's knowledge, no portion thereof has been applied by Landlord.
8. The improvements and space required to be furnished according to the Lease have been duly delivered by Landlord and accepted by the Tenant; except as follows: _____. Landlord's obligations to pay for or construct tenant improvements or common area, if any, have been satisfied in full; except as follows _____.
9. The undersigned has no known rights of setoffs or defenses against Landlord or any rents payable under the Lease, nor does the undersigned assert or allege any claim against Landlord for any failure of performance of any of the terms of said Lease. There are no known defaults by Landlord, including, without limitation, defaults relating to the design, construction, condition and tenant uses of the Premises or the building or project of which the Premises are a part. Tenant knows of no event or condition which, with the passage of time, the giving of notice, or both, would constitute a default by Landlord under the Lease. Tenant is not in default under the Lease and, to Tenant's knowledge, no events or conditions exist which, with the passage of time or giving of notice or both, would constitute a default by Tenant under the Lease.
10. The undersigned has not entered into any sublease, assignment or any other agreement transferring any of its interest in the Lease or the Premises except as follows: _____.
11. Tenant has not filed (and does not currently intend to file) any form of bankruptcy petition and Tenant is not subject to any bankruptcy, insolvency, creditors' rights or similar proceeding in any federal, state or other court or jurisdiction. Tenant is not insolvent.
12. Tenant has not used, generated, released, discharged, stored or disposed of any Hazardous Substances on, under, in or about the Premise or the building or land in or on which the Premises are located, other than Hazardous Substances used in the ordinary and commercially reasonable course of Tenant's business in compliance with all applicable laws. As used herein, "Hazardous Substance" means any substance, material or waste (including petroleum and petroleum products) which is designated, classified or regulated as being "toxic" or "hazardous" or a "pollutant" or which is similarly designated, classified or regulated, under any federal, state or local law, regulation or ordinance.

EXHIBIT "G"

The undersigned makes this statement for your (and your assignee's) benefit and protection, and for the benefit and protection of any lender making a loan to be secured, in whole or in part, by a lien on the Premises, with the understanding that (i) you (and any assignee of your right to purchase the Property) intend to rely upon this statement in connection with your intended purchase of the above-described Premises from Landlord and (ii) any such lender intends to rely upon this statement in connection with such lender's making of a loan to you (or your assignee) for the purchase the Premises.

Dated: _____, 20____

"TENANT"

(Signature)

(Title)

EXHIBIT "G"

EXHIBIT "H"

FORM OF SELLER'S LEASE CERTIFICATE

[Name of Buyer]

Attn: _____

Re: [Address of Property] Suite: _____

Tenant: _____ ("Tenant")

Gentlemen:

You are hereby advised that Tenant (defined above) is the tenant and present occupant of a portion of those certain premises comprising real property and improvements thereon commonly known as _____ located in _____, California (the "Premises"). The undersigned hereby certifies, to the undersigned's knowledge (as defined below), as follows:

1. The Premises are leased under the provisions of a lease agreement dated _____, _____ between Tenant and the undersigned ("Landlord"). The lease agreement is valid and in full force and effect and has not been modified except by document(s) dated _____, _____; true, complete and correct copy(ies) of the Lease and all such amendments are attached hereto, and the same contain all of the understandings and agreements between Landlord and Tenant (herein collectively referred to as the "Lease"). Tenant's leased Premises contain _____ rentable square feet.
2. The commencement date of the term of the Lease is _____, _____ and the expiration date is _____, 20__; and the undersigned's obligation to pay rent has commenced.
3. The Lease provides for an option to renew the Lease term as follows: _____, at a rental rate of \$ _____.
4. The Lease provides for rent payable as follows:
 - (a) Current minimum fixed monthly rent: \$ _____ with future escalations as follows: _____.

EXHIBIT "H"

- (b) No rent has been paid by Tenant in advance under the Lease except for the minimum monthly rent that became due for the current month. The minimum rent has been paid through _____, 20_____.
- (c) The Lease provides for the Tenant to pay its pro rata share of property operating expenses, including but not limited to insurance and real property taxes.
- (d) The Lease provides for the payment of percentage rent as follows: _____.
- (e) No future free rent periods or other concessions of any kind or nature have been granted to Tenant under the Lease, except as follows: _____.
5. The Lease contains no first right of refusal, right of first offer, option to expand, option to terminate, or exclusive business or use rights, except as follows: _____.
6. The Lease contains no options to purchase or right of first offer, right of first refusal, right of first negotiation or any other preferential right to purchase all or any part of the Premises or all or any part of the building or project of which the Premises are a part, except as follows: _____.
7. Landlord is holding a security deposit of \$_____ and no portion thereof has been applied by Landlord.
8. The improvements and space required to be furnished according to the Lease have been duly delivered by Landlord and accepted by the Tenant; except as follows: _____. Landlord's obligations to pay for or construct tenant improvements or common area, if any, have been satisfied in full; except as follows _____.
9. Tenant has no rights of setoffs or defenses against Landlord or any rents payable under the Lease, nor does the undersigned assert or allege any claim against Landlord for any failure of performance of any of the terms of said Lease. There are no defaults by Landlord, including, without limitation, defaults relating to the design, construction, condition and tenant uses of the Premises or the building or project of which the Premises are a part. No event or condition exists which, with the passage of time, the giving of notice, or both, would constitute a default by Landlord under the Lease. Tenant is not in default under the Lease and Landlord knows of no events or conditions exist which, with the passage of time or giving of notice or both, would constitute a default by Tenant under the Lease.

EXHIBIT "H"

10. Tenant has not entered into any sublease, assignment or any other agreement transferring any of its interest in the Lease or the Premises except as follows: _____

11. Tenant has not filed (and to Landlord's knowledge, does not currently intend to file) any form of bankruptcy petition and Tenant is not subject to any bankruptcy, insolvency, creditors' rights or similar proceeding in any federal, state or other court or jurisdiction. Tenant is not insolvent.

12. Tenant has not generated, used, stored, spilled, disposed or released any Hazardous Substances at, on or in the Premises or any other portion of the building or project of which the Premises is a part in violation of any applicable law. "Hazardous Substances" means any flammable, explosive, toxic, carcinogenic, mutagenic or corrosive substance, material, chemical or waste, including, but not limited to, any substance, chemical, waste or other material which is listed, defined or otherwise identified as "hazardous" or "toxic" under any federal, state, local or administrative agency, ordinance, law, ruling, regulation or decision including, without limitation, formaldehyde, urea, polychlorinated biphenyls, petroleum, petroleum products or byproducts, crude oil, natural gas, methane, liquefied natural gas, synthetic gas usable for fuel or mixture thereof, radon, asbestos, solvents or any nuclear substances or materials.

Landlord makes this statement for your (and your assignee's) benefit and protection, and for the benefit and protection of any lender making a loan to be secured, in whole or in part, by a lien on the Premises, with the understanding that (i) you (and any assignee of your right to purchase the Property) intend to rely upon this statement in connection with your intended purchase of the above-described Premises from Landlord and (ii) any such lender intends to rely upon this statement in connection with such lender's making of a loan to you (or your assignee) for the purchase of the Premises. Where in this certificate a statement is made or limited to the knowledge of Landlord or the knowledge of Landlord is referred to herein, such statement (1) is deemed to be limited to the current, actual knowledge of the Seller's Representative (as defined in that certain Agreement of Purchase and Sale and Joint Escrow Instructions dated as of _____, 201__, by and between you, as buyer, and Landlord, as seller (as amended, the "Purchase Agreement"), and (2) shall in no event or circumstance impose upon Landlord or Seller's Representative any duty or obligation to verify, inquire or make any independent inquiry or investigation of any such statement, or to otherwise investigate the facts or circumstances relating or otherwise pertinent thereto. Buyer further acknowledges and agrees that Seller's Representative shall not be personally liable for, or otherwise have any personal liability under or in connection with, this certificate, including without limitation, in connection with any statement made in connection with, or pursuant to, this certificate. Notwithstanding the foregoing, in the event Landlord delivers to Buyer an Estoppel Certificate (as defined in the Purchase Agreement) executed by Tenant that does not conflict in any material, adverse manner with the statements set forth in this certificate, then this certificate shall automatically be canceled ab initio and of no further force of effect. In addition, this certificate shall automatically be canceled ab initio and of no further force of effect on upon the expiration of the Survival Period (as defined in the Purchase Agreement) unless Buyer commences suit against Landlord with respect to any alleged breach prior to the expiration of the Survival Period (and, in the event any such suit is timely commenced by Buyer against Landlord, shall survive thereafter only insofar as the subject matter of the alleged breach specified in such suit is concerned). If suit is not timely commenced by Buyer prior to the expiration of the Survival Period, then Landlord's representations and warranties contained in this certificate shall thereafter be void and of no force or effect.

Dated: _____, 20____

EXHIBIT "H"

EXHIBIT "I"

LEASEBACK AGREEMENT

LEASE

BY AND BETWEEN

a _____, [ENTITY TO BE INCLUDED UPON CLOSING],

AS LANDLORD,

AND

**COHU, INC.,
a Delaware corporation,**

AS TENANT

12367 Crosthwaite Circle

SUITE 100 [200]

[DRAFTING NOTE: ALTERNATIVE PROVISIONS FOR SHORT-TERM LEASE ARE NOTED THROUGHOUT WITH BRACKETS. SEPARATE SHORT-TERM LEASE WILL BE PREPARED WHEN LONG-TERM LEASE HAS BEEN FINALIZED]

EXHIBIT "I"

LEASE

This Lease ("**Lease**") is made and entered into as of the _____ day of _____, 2015, by and between _____, a _____ ("**Landlord**"), and COHU, INC., a Delaware corporation ("**Tenant**").

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises described as Suite No. 100 [200], as designated on the plan attached hereto and incorporated herein as Exhibit "A" ("**Premises**"), of the project ("**Project**") whose address is 12367 Crosthwaite Circle, Poway, California 92064, for the Term and upon the terms and conditions hereinafter set forth, and Landlord and Tenant hereby agree as follows:

ARTICLE 1
BASIC LEASE PROVISIONS

- A. Term:** Ten (10) years [**Approximately** _____ (__) months].
- Commencement Date:** _____, 2015 [**ESCROW HOLDER TO FILL IN CLOSING DATE**]
- Expiration Date:** The date immediately preceding the tenth (10th) anniversary of the Commencement Date; provided, however, that if the Commencement Date is a date other than the first (1st) day of a month, the Expiration Date shall be the last day of the month which is one hundred twenty (120) months after the month in which the Commencement Date falls, unless extended or earlier terminated pursuant to this Lease. [**The later of (i) the last day of the month which is twelve (12) months after the Commencement Date, or (ii) July 31, 2016**]
- B. Square Footage of Premises:** Approximately 146,635 [**Approximately 192,629**] rentable square feet. The square footage of the Premises includes Tenant's prorata share of the shared electrical room and any other shared utility room in the Project (collectively, the "**Shared Space**").

EXHIBIT "I"

C. **Basic Rental:**

<u>Months</u>	<u>Monthly Basic Rental</u>	<u>Approximate Monthly Basic Rental Per Rentable Square Foot</u>
1-12*	\$131,971.50	\$.900
13-24	\$135,930.64	\$.927
25-36	\$140,008.55	\$.955
37-48	\$144,208.80	\$.983
49-60	\$148,535.06	\$1.013
61-72	\$152,991.11	\$1.043
73-84	\$157,580.84	\$1.075
85-96	\$162,308.26	\$1.107
97-108	\$167,177.50	\$1.140
109-120	\$172,192.82	\$1.174

*Plus any partial month at the beginning of the Term. [subject to adjustment based upon Shared Space allocation] [FOR SHORT TERM LEASE, BASIC RENTAL SHALL BE \$50,000.00 PER MONTH]

D. **Tenant's Proportionate Share:** 43.22 [56.78]%, based upon a total of 339,264 rentable square feet in the Project. [subject to adjustment based upon Shared Space allocations]

E. **Security Deposit:** A security deposit of \$131,971.50 [\$50,000.00] shall be due and payable by Tenant to Landlord upon the Commencement Date.

F. **Permitted Use:** Research and development, warehouse, manufacturing and general office use.

G. **Broker:** CBRE, Inc. (representing Tenant only).

H. **Parking:** Tenant shall be entitled to use three (3) parking spaces for each 1,000 rentable square feet contained in the Premises, which equals four hundred forty (440) [five hundred seventy-eight (578)] spaces, upon the terms and conditions provided in Article 23 hereof. [NOT APPLICABLE TO SHORT-TERM LEASE: Tenant shall have the exclusive right to use those parking spaces depicted on Exhibit "D" attached hereto and made a part hereof and Tenant's remaining parking spaces shall be for unreserved parking.]

EXHIBIT "I"

ARTICLE 2
TERM/PREMISES

The Term of this Lease shall commence on the Commencement Date as set forth in Article 1.A. of the Basic Lease Provisions and shall end on the Expiration Date set forth in Article 1.A. of the Basic Lease Provisions. Landlord and Tenant hereby stipulate that the Premises contains the number of square feet specified in Article 1.B. of the Basic Lease Provisions, subject to adjustment based upon the final determination of the square footage of the Shared Space. Landlord shall deliver to Tenant a Commencement Letter in a form substantially similar to that attached hereto as Exhibit "B", which Tenant shall edit (if necessary), execute and return to Landlord within thirty (30) days of receipt thereof.

ARTICLE 3
RENTAL

(a) Basic Rental. Tenant agrees to pay to Landlord during the Term hereof, at Landlord's office or to such other person or at such other place as directed from time to time by written notice to Tenant from Landlord, the monthly sums as set forth in Article 1.C. of the Basic Lease Provisions, payable in advance on the first (1st) day of each calendar month, without demand, setoff or deduction (except as expressly provided in this Lease) in lawful money of the United States, and in the event this Lease commences or the date of expiration of this Lease occurs other than on the first (1st) day or last day of a calendar month, the rent for such month shall be prorated based upon the actual number of days in such month. If the Commencement Date is not the first day of a month, Basic Rental for the partial month commencing as of the Commencement Date shall be prorated based upon the actual number of days in such month and shall be due and payable upon the Commencement Date.

(b) Direct Costs. Tenant shall pay an additional sum for each calendar year during the Term equal to the product of the percentage set forth in Article 1.D. of the Basic Lease Provisions multiplied by the amount of "Direct Costs." In the event this Lease shall terminate on any date other than the last day of a calendar year, the additional sum payable hereunder by Tenant during the calendar year in which this Lease terminates shall be prorated on the basis of the relationship which the number of days which have elapsed from the commencement of said calendar year to and including said date on which this Lease terminates bears to three hundred sixty five (365). Any and all amounts due and payable by Tenant pursuant to this Lease (other than Basic Rental) shall be deemed "**Additional Rent**" and Landlord shall be entitled to exercise the same rights and remedies upon default in these payments as Landlord is entitled to exercise with respect to defaults in monthly Basic Rental payments.

(c) Definitions. As used herein the term "**Direct Costs**" shall mean the sum of the following:

(i) "**Tax Costs**", which shall mean any and all real estate taxes and other similar charges on real property or improvements, assessments, water and sewer charges, and all other charges assessed, reassessed or levied upon the Project and appurtenances thereto and the parking or other facilities thereof, or the real property thereunder (collectively the "**Real Property**") which are assessed, reassessed or levied by the United States, the State of California or any local government authority or agency or any political subdivision thereof, and shall include Landlord's reasonable legal fees, costs and disbursements incurred in connection with proceedings for reduction of Tax Costs or any part thereof. Any taxes or assessments that may be paid over more than a one-year period shall be included in Tax Costs as if such payments were made in the maximum number of installments permitted by applicable law and only the portion thereof attributable to a given year shall be included in Tax Costs for that year. Notwithstanding anything to the contrary contained in this Section 3(c)(i), there shall be excluded from Tax Costs (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state income taxes, and other taxes to the extent applicable to Landlord's general or net income, (ii) any items included as Operating Costs, and (iii) any items paid by Tenant under Article 6 of this Lease. In no event shall Tenant be permitted to contest Tax Costs for the Project; provided that if Landlord and Tenant mutually agree in good faith that a tax contest is warranted, Landlord shall contest the Tax Costs for the Project.

EXHIBIT "I"

(ii) **"Operating Costs"**, which shall mean all costs and expenses incurred by Landlord in connection with the maintenance, operation and repair of the Project including the Common Areas of the Project as defined below. Operating Costs shall include but not be limited to, personal property taxes on property used in the maintenance and operation of the Project; fees, costs, expenses or dues payable pursuant to the terms of any covenants, conditions or restrictions or owners' association pertaining to the Project; capital expenditures incurred to effect economies of operation of the Project where the economies reasonably expected to be achieved each year are in excess of the reasonably expected annual amortized cost of such expenditure and capital expenditures required by Laws not in effect as of the Commencement Date; provided, however, that capital expenditures included in Operating Costs shall be amortized over their useful life as determined in accordance with generally accepted accounting principles; charges for electricity, gas, water and other utilities furnished to the common areas of the Project and any taxes thereon; all charges for fire and extended coverage, liability and all other insurance in connection with the Project carried by Landlord; the cost of all building and cleaning supplies and materials; all charges for service contracts and other services with independent contractors for repair, maintenance and operation of the Project; a property management fee in the amount of two percent (2%) of Basic Rental per year and license, permit and inspection fees relating to the operation, maintenance and repair of Project. As used herein, the term **"Common Area"** is defined for all purposes of this Lease as that part of the Project intended for the common use of all tenants and their employees and other invitees, including among other facilities (as such may be applicable to the Project), the Shared Space, the parking areas, private streets and alleys, landscaping, curbs, sidewalks, lighting facilities and the like, as they may exist from time to time. In addition, although the roof of the building in the Project is not literally part of the Common Area, it will be deemed to be so included solely for purposes of (A) Landlord's ability to prescribe rules and regulations regarding same (subject to Section 30(p) below), and (B) Tenant's obligations to pay Operating Costs with respect thereto (subject to the express exclusions below). Landlord reserves the right subject to the provisions of Article 12 below regarding the cooling tower, to change from time to time the dimensions, size and location of the Common Area, as well as the dimensions, identities, locations, number, size and types of signs or other improvements in the Project, including, without limitation, driveways, entrances, parking spaces, parking areas, loading areas, ingress, egress, direction of traffic, walkways and landscape areas; provided, however, that no such changes will materially and adversely impair Tenant's parking rights pursuant to Article 23 hereof, the access to the Premises or the area immediately adjacent to Tenant's primary entry. In no event shall Tenant be permitted to erect any structures, fencing or other improvements in the Common Area.

EXHIBIT "I"

Notwithstanding anything above to the contrary, Operating Costs shall not include (1) the cost of providing any service directly to and paid directly by any tenant (outside of such tenant's Direct Cost payments) such as where a Tenant directly contracts for electric power or other utilities with the local public services company; (2) the cost of any items for which Landlord is reimbursed by insurance proceeds, condemnation awards, a tenant of the Project (outside of such tenant's Direct Cost payments), or otherwise to the extent so reimbursed; (3) any real estate brokerage commissions or other costs incurred in procuring tenants, or any fee in lieu of commission; (4) amortization of principal and interest on mortgages or ground lease payments (if any); (5) costs of items considered capital repairs, replacements, improvements and equipment under generally accepted accounting principles consistently applied except as expressly included in Operating Costs pursuant to the definition above; (6) costs incurred by Landlord due to the violation by Landlord or any tenant of the terms and conditions of any lease of space in the Project or any law, code, regulation, ordinance or the like; (7) any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord; (8) bad debt expenses and interest, principal, points and fees on debts; (9) marketing costs, including those costs described in (3) above, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Project, including attorneys' fees and other costs and expenditures incurred in connection with disputes with present or prospective tenants or other occupants of the Project or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants in the Project; (11) any costs expressly excluded from Operating Costs elsewhere in this Lease; (12) costs of any items (including, but not limited to, costs incurred by Landlord for the repair of damage to the Project) to the extent Landlord receives reimbursement from insurance proceeds or from a third party (except that any commercially reasonable deductible amount under any insurance policy shall be included within Operating Costs up to a maximum of \$100,000.00 per casualty [provided that such maximum shall not be applied to any earthquake deductible so long as any earthquake deductible is amortized over the useful life of the repair and in no event shall Tenant's Proportionate Share thereof exceed \$75,000.00 per year]); (13) rentals and other related expenses for leasing an HVAC system, elevators, or other items (except when needed in connection with normal repairs and maintenance of the Project) which if purchased, rather than rented, would constitute a capital improvement not included in Operating Costs pursuant to this Lease; (14) depreciation, amortization and interest payments, except as specifically included in Operating Costs pursuant to the terms of this Lease and except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party, where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, all as determined in accordance with generally accepted accounting principles, consistently applied, and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life; (15) expenses in connection with services or other benefits which are not offered to Tenant or for which Tenant is charged for directly but which are provided to another tenant or occupant of the Project, without charge; (16) costs (including in connection therewith all attorneys' fees and costs of settlement, judgments and/or payments in lieu thereof) arising from claims, disputes or potential disputes in connection with potential or actual claims litigation or arbitrations pertaining to Landlord and/or the Project; (17) costs associated with the operation of the business of the partnership, corporation or limited liability company which constitutes Landlord as the same are distinguished from the costs of operation of the Project; (18) costs incurred to remove, remedy, contain, or treat any Hazardous Material; (19) any salaries or benefits for property management personnel (except that for personnel that provide maintenance and repair services to the Project, such salaries and benefits may be included in Operating Costs, provided that such costs for any individual who provides services to any other building or project shall be prorated based upon time devoted to this Project); (20) costs and expenses otherwise includable in Operating Costs to the extent the same arise from the negligence or tortious acts of Landlord or any of Landlord's agents, employees or contractors; or (21) any overhead and/or profit increment paid to Landlord or to subsidiaries or affiliates or Landlord for services in the Project to the extent the same exceed the amount which would generally be expected to be the cost of such services rendered by comparably qualified unaffiliated third parties.

EXHIBIT "I"

Notwithstanding anything to the contrary contained herein, the aggregate Controllable Operating Costs, as that term is defined below, shall not increase more than four percent (4%) in any calendar year over the maximum amount of Controllable Operating Costs chargeable for the immediately preceding calendar year, calculated on a cumulative basis. "**Controllable Operating Costs**" shall mean all Direct Costs except Tax Costs, utility charges, insurance costs, trash collection costs, costs of services provided under a union contract, payments under CC&R's or to an owners' association, capital expenditures that are permitted herein, and costs associated with repairs due to casualty.

(d) Determination of Payment.

(i) Landlord shall give Tenant a yearly expense estimate statement (the "**Estimate Statement**") which shall set forth Landlord's reasonable estimate (the "**Estimate**") of what the total amount of Direct Costs for the then-current calendar year shall be and Tenant's Proportionate Share thereof. Tenant shall pay, within thirty (30) days after receipt of the Estimate Statement, a fraction of the Estimate for the then-current calendar year (reduced by any amounts paid pursuant to the last sentence of this Section 3(d)(i)). Such fraction shall have as its numerator the number of months which have elapsed in such current calendar year to the month of such payment, both months inclusive, and shall have twelve (12) as its denominator. Until a new Estimate Statement is furnished, Tenant shall pay monthly, with the Monthly Basic Rental installments, an amount equal to one-twelfth ($1/12^{\text{th}}$) of the total Estimated Direct Costs set forth in the previous Estimate Statement delivered by Landlord to Tenant.

(ii) In addition, Landlord shall give to Tenant within one hundred twenty (120) days following the end of each calendar year, a statement (the "**Statement**") which shall state the Direct Costs incurred or accrued for such preceding calendar year. Upon receipt of the Statement for each calendar year during the Term, if amounts paid by Tenant on an estimated basis pursuant to Section 3(d)(i) above are less than Tenant's Proportionate Share of the actual Direct Costs for such year as specified on the Statement, Tenant shall pay, within thirty (30) days thereafter, the full amount of Direct Costs for such calendar year, less the amounts paid during such calendar year on an estimated basis pursuant to Section 3(d)(i) above. If, however, the Statement indicates that amounts paid by Tenant on an estimated basis pursuant to Section 3(d)(i) above are greater than Tenant's Proportionate Share of the actual Direct Costs for such year as specified on the Statement, such overpayment shall be refunded to Tenant within thirty (30) days after the Statement. The failure of Landlord to timely furnish the Statement for any calendar year shall not prejudice Landlord from enforcing its rights under this Article 3, for a period of twelve (12) months after the expiration of such one hundred twenty (120) day period, except where the failure to timely furnish the Statement as to any particular item includable in the Statement is beyond Landlord's reasonable control (e.g. tax assessments that are late in arriving from the assessor), in which case such twelve (12) month limit shall not be applicable. Even though the Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Proportionate Share of the Direct Costs for the calendar year in which this Lease terminates, Tenant shall pay to Landlord an amount as calculated pursuant to the provisions of this Section 3(d).

EXHIBIT "I"

(e) Use of Common Area. Tenant and its employees and invitees, and when duly authorized pursuant to the provisions of this Lease, its subtenants and licensees, shall have the nonexclusive right to use the Common Area (expressly excluding the roof of the building in the Project other than for Tenant to comply with its repair and maintenance obligations under Article 9 below and except as provided in Section 30(p) below [but otherwise subject to the provisions thereof]) as constituted from time to time, such use to be in common with Landlord, other tenants in the Project and other persons permitted by Landlord to use the same, and subject to such reasonable rules and regulations governing use as Landlord may from time to time prescribe. For example, and without limiting the generality of Landlord's ability to establish rules and regulations governing all aspects of the Common Area, Tenant agrees as follows:

(i) Tenant shall not take any action which would unreasonably interfere with the rights of other persons to use the Common Area.

(ii) Landlord may temporarily close any part of the Common Area for such periods of time as may be necessary to make repairs or alterations or during construction or to prevent the public from obtaining prescriptive rights, provided that access to the Premises remains reasonably available and Landlord uses reasonable efforts to minimize any disruption to Tenant's use and enjoyment of the Premises and the parking to which it is entitled hereunder.

(iii) With regard to the roof of the building in the Project, any use of the roof whatsoever is hereby exclusively reserved to Landlord for any and all purposes and in all respects in its reasonable discretion other than for Tenant to comply with its repair and maintenance obligations under Article 9 below and except as provided in Section 30(p) below (but otherwise subject to the provisions thereof). Landlord shall otherwise have the exclusive rights to use, possess, lease, alter, construct on, or otherwise manage the roof in its reasonable discretion. In performing Tenant's obligations pursuant to Article 9 and Section 30(p), Tenant shall take no action and Tenant will comply with all Landlord requirements in connection therewith that would invalidate any roof warranty.

EXHIBIT "I"

(f) Maintenance of Common Area. Subject to Tenant's reimbursement obligations set forth in this Article 3, Landlord shall be responsible for the operation, management and maintenance of the Common Area, the manner of maintenance and the expenditures therefore to be generally in keeping with similar properties within the same geographical area as the Project. Without limiting the generality of the immediately preceding sentence, Tenant acknowledges that **LANDLORD MAKES NO REPRESENTATION, COVENANT OR WARRANTY REGARDING WHETHER OR NOT LANDLORD WILL PROVIDE SECURITY SERVICES, OR IF SO, WHAT FORM OF SECURITY SERVICES WILL BE PROVIDED. [NOT APPLICABLE TO SHORT-TERM LEASE** However, notwithstanding anything to the contrary contained herein, Tenant may maintain a security system for the Premises, at Tenant's sole cost, which may include, without limitation, security personnel at a security desk at the entrance to the Premises; provided that Landlord reserves the right to have Tenant, at Tenant's cost, upon the expiration or early termination of this Lease, to remove any security system which does not exist as of the date hereof and to repair any damage caused thereby].

ARTICLE 4
SECURITY DEPOSIT

Tenant has deposited or concurrently herewith is depositing with Landlord the sum set forth in Article 1.E. of the Basic Lease Provisions as security for the full and faithful performance of every provision of this Lease to be performed by Tenant. If Tenant breaches any provision of this Lease, including but not limited to the payment of rent, Landlord may use all or any part of this Security Deposit for the payment of any rent or any other sums in default, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is so used or applied, Tenant shall, within ten (10) days after written demand therefor, deposit funds with Landlord in an amount sufficient to restore the Security Deposit to its full amount. Tenant agrees that Landlord shall not be required to keep the Security Deposit in trust, segregate it or keep it separate from Landlord's general funds, but Landlord may commingle the Security Deposit with its general funds and Tenant shall not be entitled to interest on such Security Deposit. Subject to this Article 4, within thirty (30) days after Tenant (i) has surrendered the Premises to Landlord (which, Landlord and Tenant agree, includes turning over to Landlord's representative all keys to the Premises), and (ii) has provided Landlord with a forwarding address, Landlord shall return to Tenant the portion of the Security Deposit remaining after deducting all damages, charges and other amounts permitted by the terms of this Lease and applicable law. Tenant acknowledges and agrees that if Tenant has breached this Lease before or during Tenant's surrendering the Premises to Landlord, then Landlord shall be entitled to deduct from the Security Deposit being returned to Tenant (if any) all damages and losses that Landlord has suffered as a result of such breach of this Lease by Tenant under Article 20 below. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code and agrees that the provisions of this Article 4 shall govern the treatment of Tenant's Security Deposit in all respects for this Lease.

If Landlord transfers its interest in the Premises during the Term of this Lease, Landlord may assign the Security Deposit to the transferee and upon such transfer and the transferee's written acknowledgement of responsibility for the Security Deposit (which acknowledgement will be deemed to have been effected if the transferee assumes the obligations of the Landlord under this Lease (i.e., even without a specific mention of the Security Deposit), Landlord shall thereafter have no further liability for the return of the Security Deposit.

EXHIBIT "I"

ARTICLE 5
HOLDING OVER

Tenant is not permitted to hold over possession of the Premises after the expiration or earlier termination of the Term without the express prior written consent of Landlord, which consent Landlord may withhold in its sole and absolute discretion. Should Tenant, without Landlord's written consent, hold over after expiration or earlier termination of this Lease, Tenant shall become a tenant at sufferance upon each and all of the terms herein provided as may be applicable to such a tenancy and any such holding over shall not constitute an extension of this Lease. During such holding over, Tenant shall pay in advance, Basic Rental at a rate equal to one hundred twenty-five percent (125%) of the rate in effect for the last month of the Term of this Lease for the first ninety (90) days of such holdover, and one hundred fifty percent (150%) of the rate in effect for the last month of the Term thereafter. Any such payments shall be in addition to, and not in lieu of, all other payments required to be made by Tenant hereunder including but not limited to Tenant's Proportionate Share of Direct Costs. Nothing contained in this Article 5 shall be construed as consent by Landlord to any holding over of the Premises by Tenant, and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon the expiration or earlier termination of the Term. In no event shall Tenant be responsible for any consequential damages incurred by Landlord due to a holdover by Tenant. **[FOR SHORT TERM LEASE: 200% HOLDOVER RATE STARTING DAY 1]**

ARTICLE 6
OTHER TAXES

Tenant shall pay, prior to delinquency, all taxes assessed against or levied upon trade fixtures, furnishings, equipment and all other personal property of Tenant located in the Premises. Tenant shall assume and pay to Landlord at the time Basic Rental next becomes due (or if assessed after the expiration of the Term, then within ten (10) days), any excise, sales, use, rent, occupancy, garage, parking, gross receipts or other taxes (other than net income taxes) which may be assessed against or levied upon Landlord on account of the letting of the Premises or the payment of Basic Rental or any other sums due or payable hereunder, and which Landlord may be required to pay or collect under any law now in effect or hereafter enacted. In addition to Tenant's obligation pursuant to the immediately preceding sentence, Tenant shall pay directly to the party or entity entitled thereto all business license fees, gross receipts taxes and similar taxes and impositions which may from time to time be assessed against or levied upon Tenant, as and when the same become due and before delinquency. Notwithstanding anything to the contrary contained herein, any sums payable by Tenant under this Article 6 shall not be included in the computation of "Tax Costs."

EXHIBIT "I"

ARTICLE 7
PERMITTED USE/COMPLIANCE WITH LAWS

(a) Permitted Use. Tenant shall use and occupy the Premises only for the use set forth in Article 1.F. of the Basic Lease Provisions and shall not use or occupy the Premises or permit the same to be used or occupied for any other purpose without the prior written consent of Landlord.

(b) Compliance with Laws. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances, governmental regulations or requirements (collectively, "Laws") now in force or which may hereafter be in force relating to or affecting (i) the condition, use or occupancy of the Premises (excluding structural changes not related to Tenant's particular use of the Premises), and (ii) Alterations installed or constructed in the Premises by or on behalf of Tenant. Landlord shall be responsible for compliance with all Laws with respect to the Common Areas of the Project and the Real Property and all other portions of the Project other than those which are the responsibility of Tenant pursuant to the immediately preceding sentence. In addition to the foregoing, Tenant shall procure at its sole expense any permits and licenses required for the transaction of business in the Premises. At Landlord's request, Tenant shall deliver to Landlord copies of all necessary permits and licenses.

(c) Certain Prohibited Uses. Tenant shall not conduct or give notice of any fire, auction (public or private), "going-out-of-business," "lost-our-lease," "moving," bankruptcy or similar sale at or on the Premises. Tenant shall not permit any objectionable noises, odors, vibrations, dust, gas, exhaust or smoke to emanate from the Premises (or from any facility or equipment servicing the Premises); nor except as provided in Section 30(p) below (but subject to the provisions set forth therein) place or permit any radio or television antenna, satellite dish, loudspeaker or amplifier on the roof or exterior walls or outside the Premises or where the same can be seen or heard from outside the Premises; nor place any antenna, equipment, awning or other projection on the exterior of the Premises or any building; nor take any other action which would constitute a nuisance or would unreasonably interfere with, disturb or endanger Landlord or other tenants of the Project, or unreasonably interfere with their use of their respective premises; nor permit any unlawful practice to be carried on or committed on the Premises; nor do or permit anything which would void Tenant's or Landlord's insurance. If Tenant causes any increase in the cost of insurance on the Premises or the Project, then Tenant shall pay to Landlord the amount of such increase as Additional Rent.

(d) Care of Premises by Tenant. Tenant shall take good care of the Premises and shall operate in the Premises in a safe, careful and proper manner; shall not commit or suffer waste in or about the Premises, nor to any facility or equipment for which Tenant is responsible; and shall keep the Premises free of insects, rodents, vermin and other pests. As indicated in Section 3(f) above, Tenant hereby acknowledges that security is Tenant's responsibility and that Tenant is not relying on any representation or warranty by Landlord in this regard. Tenant shall not overload the floors in the Premises, nor deface or injure the Premises. Tenant shall store all trash and garbage within the Premises, or in a trash dumpster or similar container and Landlord shall arrange for trash pick-up for the Project as part of Operating Costs. Outside storage, including, without limitation, storage of containers, trailers, trucks and other vehicles, is prohibited without Landlord's prior written consent, which may be withheld in Landlord's sole and absolute discretion.

EXHIBIT "I"

(e) Tenant Financial Statements. In connection with a proposed sale or refinance of the Project and not more than one (1) time in any calendar year, Tenant shall, within ten (10) business days after a request from Landlord, deliver to Landlord such financial statements as are reasonably requested by Landlord that have been previously prepared by Tenant to verify the net worth of Tenant. However, the immediately preceding sentence shall not apply if, at such time, Tenant is publicly traded. Tenant further agrees to cooperate with any reasonable request by Landlord for Tenant's written permission or other cooperation in connection with Landlord's obtaining, at Landlord's sole cost, a credit report or similar information regarding Tenant from third-party sources.

(f) Confidentiality; Marketing Materials. Landlord shall use good faith efforts to keep confidential all non-public financial statements supplied by Tenant; however, if Landlord notifies such parties of the requirement to keep such information confidential, Landlord has the right to reveal such information to mortgagees, prospective purchasers and prospective mortgagees (and their respective agents) and to Landlord's managers, officers, personnel, affiliates, partners, directors, advisors, accountants, attorneys, members, and consultants, and as may be required by Law, including, without limitation, securities regulations, or by legal process; and, provided further, that Landlord and Landlord's affiliates have the right to include, disclose, or otherwise publicize Tenant's name as one of Landlord's or Landlord's affiliates' tenants in any of Landlord's marketing materials, press releases, presentations, or other disclosures. The following materials and information are not considered "non-public financial statements" for purposes of this Lease and will not be subject to the restrictions set for in the preceding sentence: (i) information which is or becomes generally available to the public other than as a result of a wrongful disclosure by Landlord; (ii) information which reasonably can be demonstrated to be known to Landlord prior to its disclosure by Tenant hereunder; (iii) information which becomes available to Landlord on a non-confidential basis from sources other than Tenant; and (iv) information which Landlord may be compelled to disclose by court order or applicable law.

ARTICLE 8
CONDITION OF PREMISES

(a) Existing Condition. Landlord and Tenant acknowledge that Tenant has, prior to the Commencement Date, owned the Project and occupied the Premises. Tenant hereby agrees that except as provided in this Lease (including, without limitation, the following provisions of this Article 8 and Section 11(a), below), the Premises shall be taken "as is", "with all faults", and "without any representations or warranties", and Landlord makes no warranty of any kind, express or implied, with respect to the Premises and the Real Property (without limitation, Landlord makes no warranty as to the habitability, fitness or suitability of the Premises for a particular purpose, nor as to compliance with any laws, rules or regulations, nor as to the absence of any toxic or otherwise Hazardous Materials).

EXHIBIT "I"

(b) Landlord's Work. Landlord shall, at Landlord's sole cost, cause the following work to be performed: (a) within one (1) year after the Commencement Date, install RainShield RS-2P-3W roofing system (or its equivalent) with twenty (20) year guarantee including installation of new curb mount, steel frame, single dome skylights and smoke vents in accordance with the June 8, 2015 proposal from Highland Commercial Roofing (or an equivalent or better proposal from a different vendor, as mutually agreed by Landlord and Tenant), (b) install a demising wall(s) separating the Premises from the remainder of the Project utilizing specifications and materials reasonably determined by Landlord (the "**Demising Work**"), which Demising Work shall include the separation of the electric service as described in Section 11(a) below. In order to separate the electric service, Landlord and Tenant contemplate that the existing 120/208 gear currently serving the Project will be upgraded to 277/480 and then be dedicated to serve the space which is the subject of the Short Term Lease (defined below). The 120/208 load currently connected to the existing 120/208 gear will be disconnected and re-connected (through a new step-down transformer) to the existing 277/480 gear currently serving the Project. A 1.5MW generator will be supplied to maintain the Tenant's 120/208 service during the changeover if change over cannot be scheduled during a period which would not unreasonably interfere with Tenant's business. The existing 277/480 gear will then be dedicated to serve the Premises **[TO BE MODIFIED FOR SHORT TERM LEASE.]** The Demising Work shall be completed prior to the date which is the earlier of the date that is one (1) year after Tenant has surrendered the Short Term Lease space to Landlord in the condition required in the Short Term Lease, or the date any new tenant commences occupancy of space in the remainder of the Project, (c) repaint the exterior of the Project utilizing specifications and materials reasonably determined by Landlord and reasonably approved by Tenant, with such work to be completed prior to the date which is two (2) years after the Commencement Date, (d) slurry coat, repair and reseal the parking lot of the Project pursuant to a parking, striping and truck loading plan reasonably determined by Landlord, with such work to be completed on or before the date which is two (2) years after the Commencement Date, and (e) upgrade the landscaping at the Project pursuant to a plan reasonably determined by Landlord within one (1) year after the Commencement Date **[NOT APPLICABLE TO SHORT TERM LEASE]**. Tenant agrees that Landlord shall be provided with access to the Premises to complete such Demising Work in accordance with, and subject to, Article 12 below, and shall reasonably cooperate with Landlord so as to allow Landlord to timely complete all of the foregoing work. Except as otherwise expressly provided in this Lease, Landlord agrees that any costs to relocate electrical conduits required by the Demising Work shall be borne by Landlord and any shutdown of the electrical system to the Premises required by the Demising Work shall be performed pursuant to a schedule mutually acceptable to Landlord and Tenant.

(c) Tenant Improvements. The existing leasehold improvements in the Premises as of the date of this Lease may be collectively referred to herein as the "**Tenant Improvements.**" Notwithstanding the existing Tenant Improvements, promptly following the Commencement Date, Tenant shall have the obligation, at Tenant's sole cost, to relocate and raise any portion of its compressed air supply lines to be located not lower than 24' 6" above the floor. **[SHORT TERM LEASE ONLY]**

ARTICLE 9 **REPAIRS AND ALTERATIONS**

(a) Landlord's Obligations. Landlord shall, as part of Operating Costs to the extent permitted under Article 3 above, maintain the structural portions of the Project in good condition and repair, including the foundation, floor/ceiling slabs, roof, roof membrane, curtain walls, exterior glass, columns, beams, shafts, stairs, stairwells, elevator cabs and common areas, and shall also maintain and repair the basic mechanical, electrical, life safety, plumbing, sprinkler systems and heating, ventilating and air-conditioning systems serving the Project (the "**Project Systems**"), although Tenant shall be responsible, at Tenant's sole cost, for repair and maintenance of any such systems that exclusively service the Premises. Should any of the Project Systems (including, without limitation, any such systems that exclusively serve the Premises such as the heating ventilation and air-conditioning system that exclusively services the Premises ("**HVAC System**")) require replacement, Landlord shall be responsible for such replacement, which replacement cost shall be passed through to Tenant as Additional Rent so long as such amount is amortized over the useful life of the replaced system in accordance with the following procedure ("**Agreed Amortization Procedure**"): a monthly straight-line basis commencing as of the date such replacement is placed into service, over the useful life of the replaced system (which useful life is deemed to be ten (10) years for replacement of any HVAC System units). **[NOT APPLICABLE TO SHORT TERM LEASE:** Notwithstanding the foregoing, in the event an R-22 HVAC System unit that exclusively services the Premises fails and cannot be repaired at a cost less than forty percent (40%) of the replacement cost, the unit shall be replaced and the "Initial Aggregate Cost" (defined below) of the replacement of such unit(s) shall be paid for by Tenant as Additional Rent and the remainder of such replacement costs shall be passed through to Tenant as Additional Rent pursuant to the Agreed Amortization Procedure, but with such amortization commencing as of the first day of the next calendar year. The term "**Initial Aggregate Cost**" shall mean Fifty Thousand Dollars (\$50,000.00) in the aggregate for the period which constitutes the first three (3) years of the Term, Forty Thousand Dollars (\$40,000.00) in the aggregate for the fourth (4th) year of the Term, Thirty Thousand Dollars (\$30,000.00) in the aggregate for the fifth (5th) year of the Term, Twenty Thousand Dollars (\$20,000.00) in the aggregate for the sixth (6th) year of the Term, Ten Thousand Dollars (\$10,000.00) in the aggregate for the seventh (7th) year of the Term, and Zero Dollars (\$0) thereafter. Such amortization payments for any of the first seven (7) years shall commence only after Tenant's payment of the Initial Aggregate Cost for such year. By way of example only, and not as limitation upon the foregoing, if in the fifth (5th) year of the Term, five (5) R-22 HVAC System units must be replaced and if the total aggregate cost of such replacements is \$40,000.00 for such year, then the Initial Aggregate Amount for such replacements for such year would be \$30,000.00, which amount will be payable by Tenant as Additional Rent within thirty (30) days after Tenant's receipt of paid invoices from Landlord and the remaining \$10,000.00 of such replacement costs shall be amortized pursuant to the Agreed Amortization Procedure, with such amortization to begin on the first day of the sixth (6th) year of the Term.] In no event shall Tenant be responsible for the cost of repair, maintenance or replacement of any heating, ventilation or air-conditioning system that does not service the Premises. Except as expressly provided in Section 9(b) below, Tenant waives the right to make repairs at Landlord's expense under any applicable Laws.

EXHIBIT "I"

(b) Tenant's Right to Make Repairs.

(i) Notwithstanding any provision set forth in this Lease to the contrary, if Tenant provides written notice to Landlord of an event or circumstance which requires the action of Landlord with respect to repair and/or maintenance under Section 9(a) above (hereinafter, a "**Required Action**"), and Landlord fails to commence such action within a reasonable period of time, given the circumstances, after the receipt of such notice, but in no event later than thirty (30) days after Landlord's receipt of such notice (or sooner in case of emergency, as set forth below in subsection (iii)), then if such repair is in the interior, non-structural portion of the Premises, or if Landlord's failure with respect to such repair and maintenance obligations otherwise materially and adversely affects Tenant's normal business operations, Tenant may proceed to take the required action following the delivery of an additional ten (10) business days notice to Landlord specifying in bold-faced capital letters that: "**LANDLORD'S FAILURE TO PERFORM AN OBLIGATION WITHIN (10) BUSINESS DAYS OF RECEIVING THIS NOTICE MAY RESULT IN TENANT EXERCISING SELF-HELP**", and if such action was required under the terms of the Lease to be taken by Landlord and was not taken by Landlord within such additional ten (10) business day period, then Tenant shall be permitted to perform such repair at Landlord's cost. In the event Tenant takes such action, and such work will affect the Project Systems or the structural integrity of the Project, Tenant shall use only those contractors used by Landlord in the Project for work on such Project Systems or structure unless such contractors are unwilling or unable to perform, or timely perform, such work, in which event Tenant may utilize the services of any other qualified contractor which normally and regularly performs similar work in comparable buildings.

EXHIBIT "I"

(ii) If Landlord fails to pay to Tenant the actual documented cost of such cure within twenty (20) days following Landlord's receipt of Tenant's demand therefor, including a statement setting forth the amount due, and, if available, executed mechanics' lien releases from the party or parties performing such repairs complying with the appropriate provisions of California Civil Code Sections 8136 and 8138, then Tenant may provide to Landlord a second written demand therefor ("**Second Demand**") which contains the following phrase on page 1 of the notice in all capital letters and boldface type (or it shall not be deemed validly delivered to Landlord) "**YOUR FAILURE TO REIMBURSE TENANT AS REQUIRED HEREIN WITHIN TEN (10) DAYS SHALL ENTITLE THE UNDERSIGNED TO EXERCISE CERTAIN OFFSET RIGHTS AS SET FORTH IN THE LEASE WITHOUT FURTHER NOTICE.**" If Landlord fails to pay to Tenant the amount due to Tenant within ten (10) days following Landlord's receipt of the Second Demand, then Tenant may offset from the next installments of rent and other charges coming due under this Lease the full amount owed by Landlord to Tenant together with interest at the Interest Rate from the date of payment until the date of offset, provided, however, that (i) the amount of offset during any month shall not exceed the greater of (A) ten percent (10%) of the total Basic Rent payable by Tenant to Landlord for such month, or (B) the amount necessary to fully amortize Tenant's cost of cure from the date of completion of such cure to the earlier to occur of (x) the date which is twenty four (24) months after such date of completion, or (y) the expiration date of the Term (without regard to any unexercised renewal options); and (ii) Landlord is not then contesting same (or having contested same, a judgment, decision or ruling in such action, mediation or arbitration has been rendered in favor of Tenant). Tenant shall obtain and deliver to Landlord waivers of liens from all contractors, subcontractors and materialmen providing work or materials with respect to any such repairs performed by or on behalf of Tenant.

(iii) Notwithstanding the foregoing, if there exists an emergency that is not addressed by Article 16 below such that the Premises or a material portion thereof are rendered untenable or if Tenant is unable to conduct business from a material portion of the Premises as a result of such emergency and if Tenant gives Landlord written notice (the "**Emergency Notice**") of Tenant's intention to take action with respect thereto (the "**Necessary Action**") and the Necessary Action is also a Required Action, Tenant may take the Necessary Action if Landlord does not commence the Necessary Action prior to the end of the business day which is two (2) business days following the day of Landlord's receipt of the Emergency Notice (the "**Emergency Cure Period**") and thereafter use its commercially reasonable efforts and due diligence to complete the Necessary Action as soon as reasonably practicable. If Tenant takes any Necessary Action hereunder, Tenant shall use only those contractors used by Landlord in the Project for such work unless such contractors are unwilling or unable to perform such work, in which event Tenant may utilize the services of any other qualified contractor which normally and regularly performs similar work in comparable buildings.

EXHIBIT "I"

(c) Tenant's Obligations. Except as expressly provided as Landlord's obligation in this Article 9, Tenant shall keep all portions of the Premises in good condition and repair, excluding only those portions that are Landlord's express obligation to maintain as provided above. Tenant's obligations include, without limitation, maintenance and repair of the compressed air system and nitrogen tank located in or solely benefitting the Premises (regardless of whether such systems are located entirely in the Premises), lighting within the Premises, any HVAC System that exclusively services the Premises (as described in Section 9(a) above), plumbing systems within the Premises, exhaust systems within the Premises and the electrical system within the Premises. In addition, Tenant's responsibility shall also include, with respect to the Premises, all repairs in ducts, conduits, pipes and wiring. Tenant shall give Landlord prompt written notice of any leaks or water damage that becomes known to Tenant. If any repairs required to be made by Tenant hereunder are not commenced within ten (10) days after written notice delivered to Tenant by Landlord (or less than ten (10) days, in the case of an emergency situation which by its nature requires an immediate response or a response within fewer than ten (10) days), or if Tenant timely commences such repairs but fails to diligently prosecute such repairs to completion, Landlord may, upon notice to Tenant and at Landlord's option, make such repairs without liability to Tenant for any loss or damage which may result by reason of such repairs. In such event, Tenant shall reimburse Landlord's costs therefor as Additional Rent within thirty (30) days of Landlord's written demand. Tenant shall have access to the roof of the Project and other areas of the Project required in order for Tenant to repair and maintain any systems that exclusively service the Premises (as required by Section 9(a) above) and to otherwise comply with Tenant's repair and maintenance obligations under this Lease. All damage or injury to the Premises or the Project resulting from the act or negligence of Tenant, its employees, agents or visitors, guests, invitees or licensees or by the use of the Premises, shall be promptly repaired by Tenant at its sole cost and expense (except to the extent covered by insurance).

(d) Alterations. Tenant shall make no alterations, installations, changes or additions in or to the Premises or the Project (collectively, "**Alterations**") without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed; provided, however, (i) Landlord hereby consents to those Alterations listed on Exhibit "E" attached hereto and made a part hereof (so long as such Alterations are otherwise completed in accordance with the requirements set forth in this Lease), and (ii) Landlord's prior written consent shall not be required for Tenant's interior painting, and for any non-structural installation of fixtures, equipment, interior floors and floor coverings in the Premises, all of which may otherwise be completed in accordance with this Lease. Any Alterations approved by Landlord must be performed in accordance with the terms hereof, using only contractors reasonably approved by Landlord in writing and upon the reasonable approval by Landlord in writing of plans and specifications pertaining to the Alterations in question, to be prepared and submitted by Tenant at its sole cost and expense. Landlord shall grant or deny consent to a proposed Alteration within ten (10) business days after Landlord's receipt of plans and specifications therefor. If Landlord fails to so respond in writing to Tenant within said ten (10) business day period, Tenant may send a second written notice ("**Alteration Notice**") to Landlord indicating that such Alteration Notice is being delivered by Tenant pursuant to this Section 9(d). Landlord's failure to withhold its consent by written notice to Tenant within five (5) business days after Landlord's receipt of a properly delivered Alteration Notice shall be deemed to constitute Landlord's consent to such Alteration. Tenant shall at its sole cost and expense obtain all necessary approvals and permits pertaining to any Alterations approved by Landlord. Tenant shall cause all Alterations to be performed in a good and workmanlike manner, in conformance with all applicable Laws and pursuant to a valid building permit. Landlord shall not be entitled to a construction management fee or review fee in connection with any Alterations. Notwithstanding anything to the contrary contained herein, Tenant may also make minor alterations to the Premises (the "**Minor Alterations**"), without Landlord's consent, provided that the cost of any such Minor Alteration does not exceed \$75,000 in any one instance and more than \$200,000 in the aggregate during the Term; and provided further that such Minor Alteration does not (i) require any structural modifications to the Premises, (ii) require any changes to, nor adversely affect, the Project Systems, and (iii) affect the exterior appearance of the Project. Notwithstanding the rights accorded to Tenant pursuant to the immediately preceding sentences, Tenant acknowledges and agrees that Landlord's permission for Tenant to commence construction or Landlord's monitoring of such work shall in no way constitute any representation or warranty by Landlord as to the adequacy or sufficiency of such plans and specifications, the improvements to which they relate, the capabilities of such contractors or the compliance of any such work with any applicable Laws; instead, any such permission or monitoring shall merely be the consent of Landlord as required hereunder.

EXHIBIT "I"

(e) Insurance. Prior to the commencement of any Alterations, Tenant shall provide Landlord with evidence that Tenant or Tenant's contractor carries insurance for workers' compensation, "Builder's All Risk" insurance in an amount approved by Landlord covering the construction of such Alterations, and such other insurance as Landlord may reasonably require, it being understood that all such Alterations shall be insured by Tenant pursuant to Article 14 of this Lease immediately upon completion thereof.

(f) Costs and Fees; Removal. If permitted Alterations are made, they shall be made at Tenant's sole cost and expense and shall be and become the property of Landlord, except that Landlord may, by written notice to Tenant given at the time of Landlord's consent to an Alteration (or if Landlord's consent is not required, then Landlord's notice shall be provided within thirty (30) days after Landlord receives written notice of the Alteration), require Tenant at Tenant's expense to remove such Alteration from the Premises upon expiration or earlier termination of this Lease, and to repair any damage to the Premises and the Project caused by such removal.

(g) Quality of Construction Work by Tenant. All construction work done by Tenant within the Premises shall be performed in a good and workmanlike manner, lien-free and in compliance with all Laws, and in such manner as to reasonably minimize interference with other construction in progress and with the transaction of business in the Project. Without limiting the generality of the foregoing, Landlord shall have the right to require that such work be performed in accordance with non-discriminatory rules and regulations which Landlord may from time to time reasonably prescribe by prior written notice to Tenant.

EXHIBIT "I"

(h) Renovation by Landlord. In the event that Landlord elects to renovate all or any portion of the Project, including, without limitation, performing the Demising Work, subject to Article 12 below, Tenant will reasonably cooperate with such renovations, including Tenant's tolerating temporary and reasonable inconveniences (which will be minimized by Landlord to the extent practicable and may include, without limitation, the temporary removal of Tenant's signs) in order to facilitate such renovations, as they may relate to the exterior of the Premises.

ARTICLE 10
LIENS

Tenant shall keep the Premises and the Project free from any mechanics' liens, vendors liens or any other liens arising out of any work performed, materials furnished or obligations incurred by Tenant, and Tenant agrees to defend, indemnify and hold Landlord harmless from and against any such lien or claim or action thereon, together with costs of suit and reasonable attorneys' fees and costs incurred by Landlord in connection with any such claim or action. Before commencing any work of alteration, addition or improvement to the Premises, Tenant shall give Landlord at least ten (10) business days' written notice of the proposed commencement of such work (to afford Landlord an opportunity to post appropriate notices of non-responsibility). In the event that there shall be recorded against the Premises or the Project or the property of which the Premises is a part any claim or lien arising out of any such work performed, materials furnished or obligations incurred by Tenant and such claim or lien shall not be removed by bond or otherwise or discharged within ten (10) days of filing, upon notice to Tenant and the expiration of a fifteen (15) day cure period, Landlord shall have the right but not the obligation to pay and discharge said lien without regard to whether such lien shall be lawful or correct (in which case Tenant shall reimburse Landlord for any such payment made by Landlord within ten (10) days following written demand). Upon completion of the work, Tenant shall deliver to Landlord final lien waivers from all contractors and suppliers. Landlord may post at the Premises such notices of non-responsibility as may be provided for under applicable Law. Tenant shall provide Landlord with as-built plans and specifications for all Alterations done by Tenant.

ARTICLE 11
PROJECT SERVICES

(a) Utilities and Services. **[NOT APPLICABLE TO SHORT TERM LEASE]**: Landlord and Tenant acknowledge that, concurrently with their execution and delivery of this Lease, Landlord and Tenant are entering into a Lease for the remainder of the Project consisting of approximately 192,629 rentable square feet (the "**Short Term Lease**"). Tenant acknowledges and agrees that the shared electrical room for the Project requires expansion, and Tenant agrees that it will cooperate with Landlord to have such expansion occur into Tenant's storage room. Upon the completion of the expansion, the added space shall be included in the Shared Space. Landlord and Tenant further acknowledge and agree that the telephone room shall be located solely in Tenant's Premises and may be used exclusively by Tenant and not any other occupant. In accordance with the timeframes set forth in Section 8(b) above, Landlord shall, at Landlord's sole cost, (i) separate the Project Systems (excluding fire system branch lines, fire life safety systems and common HVAC elements) serving the Premises from the remainder of the Project, and (ii) have separate meters or submeters installed for each of the following utilities: electricity, water and natural gas. Notwithstanding the foregoing or anything to the contrary herein, Landlord shall have the right, as determined in Landlord's sole discretion and at Landlord's sole cost, to either (A) separate the Project's condensed water loop and dedicate the existing cooling towers in the Project to service the Premises exclusively, or (B) maintain the condensed water loop and cooling tower as a Common Area in accordance with the terms of this Lease, in which event, Landlord shall install, at Landlord's sole cost, a new Siemens Talon Controls Building Management System (or comparable system) (the "**BMS System**") with controllers at each water source heat pump. Tenant shall cooperate with Landlord and Landlord's contractor to allow the timely completion of the foregoing work. If Landlord elects to maintain the condensed water loop and cooling towers as Common Area, Landlord shall utilize the BMS System to monitor and record the water heat source pump fan and compressor operation times to establish the costs attributable to each party utilizing same. Any utility costs attributable to Tenant as determined by Landlord's review of the BMS System shall be paid by Tenant to Landlord as Additional Rent within fifteen (15) days of Landlord's demand. Tenant shall have the right to connect additional equipment to the BMS System at Tenant's sole cost, so long as such additional equipment is reasonably approved by Landlord, complies with all applicable laws, does not overload the BMS System and otherwise complies with all of the requirements set forth in this Lease. Any meters and sub-meters shall be installed for each such utility in order to measure amounts supplied to the Premises, other space in the Project and the Common Areas (and the costs measured from such meters and sub-meters shall be solely paid by the parties utilizing such systems as further described in this Section 11(a) below). After such separate meters are installed, Tenant shall contract directly with the applicable utility company for utilities separately metered to the Premises, Tenant shall have no responsibility for utilities provided to other space in the Project and utilities provided to the Common Areas of the Project shall be included in Operating Costs. Landlord shall bill Tenant for Tenant's usage (as determined by Landlord's review of the sub-meter readings) for any utilities that are sub-metered, and Tenant shall reimburse Landlord for such actual costs (without mark-up from Landlord) as Additional Rent within fifteen (15) days of demand. Until such separate meters and submeters are installed, Tenant shall pay Tenant's Proportionate Share of the cost of such utilities on a monthly basis. Landlord shall provide, as an Operating Cost of the Project, trash removal services and janitorial service to the Common Areas (but not to the Premises). Tenant shall be responsible, at Tenant's sole cost, for janitorial services to the Premises. Landlord shall not be liable for, and except as provided in Section 11(b) below, there shall be no rent abatement as a result of, any stoppage, reduction or interruption of any such services caused by governmental rules, regulations or ordinances, riot, strike, labor disputes, breakdowns, accidents or necessary repairs.

EXHIBIT "I"

(a) Abatement Event. An "**Abatement Event**" shall be defined as an event caused by Landlord's negligence or willful misconduct that prevents Tenant from using the Premises or any portion thereof, as a result of any failure to provide essential services (i.e., utilities under Section 11(a) above) or access to the Premises, where (i) Tenant does not actually use the Premises or such portion thereof in the manner in which it was used prior to the Abatement Event, and (ii) such event is not caused by the negligence or willful misconduct of Tenant, its agents, employees or contractors. Tenant shall give Landlord notice ("**Abatement Notice**") of any such Abatement Event, and if such Abatement Event continues beyond the "Eligibility Period" (as that term is defined below), then, as Tenant's sole and exclusive remedy at law and in equity (other than in the case of Landlord's default, in which case Section 19(b) below shall apply) the Basic Rental and Tenant's Proportionate Share of Direct Costs shall be abated entirely or reduced, as the case may be, after expiration of the Eligibility Period for such time that Tenant continues to be so prevented from using, and does not use, the Premises or a portion thereof, in the proportion that the rentable area of the portion of the Premises that Tenant is prevented from using, and does not use, bears to the total rentable area of the Premises; provided, however, in the event that Tenant is prevented from using, and does not use, a portion of the Premises for a period of time in excess of the Eligibility Period and the remaining portion of the Premises is not sufficient to allow Tenant to effectively conduct its business therein, and if Tenant does not conduct its business from such remaining portion, then for such time after expiration of the Eligibility Period during which Tenant is so prevented from effectively conducting its business therein, the Basic Rental and Tenant's Proportionate Share of Direct Costs for the entire Premises shall be abated entirely for such time as Tenant continues to be so prevented from using, and does not use, the Premises. If, however, Tenant reoccupies any portion of the Premises during such period, the Basic Rental and Tenant's Proportionate Share of Direct Costs allocable to such reoccupied portion, based on the proportion that the rentable area of such reoccupied portion of the Premises bears to the total rentable area of the Premises, shall be payable by Tenant from the date Tenant reoccupies such portion of the Premises. The term "**Eligibility Period**" shall mean a period of five (5) consecutive business days after Landlord's receipt of any Abatement Notice(s). If a fire or other casualty results in Tenant's inability to use the Premises or a portion thereof, the terms and conditions of Article 16 below shall apply rather than this Section 11(b).

EXHIBIT "I"

ARTICLE 12
ENTRY RIGHTS OF LANDLORD

Landlord and its agents shall have the right to enter the Premises at all reasonable times upon one (1) business day's prior notice (except that no notice shall be required in the case of an emergency) for the purpose of examining or inspecting the same, serving or posting and keeping posted thereon notices as provided by law, or which Landlord deems necessary for the protection of Landlord or the Project, showing the same to prospective tenants (but as to prospective tenants, only during the last nine (9) months of the Term or the Option Terms, if applicable, or at any time in which Tenant is in default under this Lease after expiration of applicable cure periods), lenders or purchasers of the Project, in the case of an emergency, and for making such alterations, repairs, improvements or additions to the Premises or to the Project as may be required under this Lease, all without being deemed guilty of or liable for any breach of any covenant of quiet enjoyment or eviction of Tenant (provided Landlord uses reasonable efforts to present any disruption to Tenant's business operations) and without abatement of rent. For each of the foregoing purposes, Tenant shall provide Landlord with a key or other device in order to provide entry to the Premises (excluding Tenant's vaults and safes), and Landlord may open said doors to the Premises in an emergency in order to obtain entry to the Premises. Landlord shall provide Tenant with an opportunity to have a representative of Tenant escort Landlord in connection with any such entry (except any such entry in the case of an emergency). Furthermore, except as expressly provided in this Lease, Landlord shall not be entitled to make alterations, additions or improvements to the Premises or to the exterior façade surrounding the Premises without Tenant's consent.

EXHIBIT "I"

ARTICLE 13
INDEMNITY; EXEMPTION OF LANDLORD FROM LIABILITY

(a) **Indemnity.** Tenant shall indemnify, defend and hold Landlord and its members, officers, directors, employees and contractors (collectively, "**Landlord Parties**") harmless from any and all claims arising from Tenant's breach of this Lease and/or Tenant's use of the Premises or the Project or from the conduct of its business or from any activity, work or thing which may be permitted or suffered by Tenant in the Premises and shall further indemnify, defend and hold Landlord and the Landlord Parties harmless from and against any and all loss, cost, expense, damages or claims arising from the negligence or willful misconduct of Tenant or any of its agents, contractors or employees and from any and all costs, attorneys' fees and costs, expenses and liabilities incurred in the defense of any claim or any action or proceeding brought thereon, including negotiations in connection therewith. However, notwithstanding the foregoing, Tenant shall not be required to indemnify and/or hold Landlord or the Landlord Parties harmless from any loss, cost, liability, damage or expense, including, but not limited to, penalties, fines, attorneys' fees or costs (collectively, "**Claims**"), to any person, property or entity to the extent resulting from the negligence or willful misconduct of Landlord or its agents, contractors, or employees. Landlord hereby indemnifies Tenant and holds Tenant harmless from any Claims to the extent resulting from the negligence or willful misconduct of Landlord or its agents, contractors or employees and/or for Landlord's breach of the Lease, and not covered by insurance required to be carried under this Lease by Tenant or actually carried by Tenant. Further, Tenant's agreement to indemnify Landlord and Landlord's agreement to indemnify Tenant pursuant to this Section 13(a) is not intended to and shall not relieve any insurance carrier of its obligations under policies required to be carried by Landlord or Tenant pursuant to this Lease, to the extent such policies cover the matters subject to such indemnification obligations.

(b) **Exemption of Landlord from Liability.** Landlord and the Landlord Parties shall not be liable for injury to Tenant's business, or loss of income therefrom, however occurring (including, without limitation, from any failure or interruption of services or utilities or as a result of Landlord's negligence), or, except in connection with damage or injury resulting from the negligence or willful misconduct of Landlord or the Landlord Parties (provided that in such case Landlord's liability shall be limited to amounts not covered by insurance carried by Tenant or required to be carried by Tenant pursuant to this Lease), for damage that may be sustained by the person, goods, wares, merchandise or property of Tenant, its employees, invitees, customers, agents, or contractors.

ARTICLE 14
INSURANCE

(a) **Tenant's Insurance.** Tenant, shall at all times during the Term of this Lease, and at its own cost and expense, procure and continue in force the following insurance coverage: (i) Commercial General Liability Insurance (which may include umbrella insurance) insuring both Landlord and Tenant against all claims, demands or actions for bodily injury, property damage, personal and advertising injury, and medical payments arising out of or in connection with Tenant's use or occupancy of the Premises, or by the condition of the Premises, written on an occurrence basis, with a combined single limit for bodily injury and property damages of not less than Two Million Dollars (\$2,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the annual aggregate (and no offset for occurrences on property other than the Premises), including products liability coverage if applicable, owners and contractors protective coverage (when Tenant performs Alterations), blanket contractual coverage, and personal injury coverage; (ii) a policy of standard fire, extended coverage and special extended coverage insurance (all risks), including a vandalism and malicious mischief endorsement, sprinkler leakage coverage where sprinklers are provided in an amount equal to the full replacement value new without deduction for depreciation of all (A) Tenant Improvements and Alterations, and (B) trade fixtures, furniture, equipment and other personal property installed by or at the expense of Tenant; and (iii) Worker's Compensation and Employers liability coverage as required by Law. Tenant shall carry and maintain during the entire Term (including any Option Terms, if applicable), at Tenant's sole cost and expense, increased amounts of the insurance required to be carried by Tenant pursuant to this Article 14 and such other reasonable types of insurance coverage and in such reasonable amounts covering the Premises and Tenant's operations therein, as may be reasonably required by Landlord, but Landlord shall only be entitled to require such increased amounts and/or other coverages if they are then generally required by owners of comparable buildings in the San Diego County, California area.

EXHIBIT "I"

(b) Form of Policies. The aforementioned minimum limits of policies and Tenant's procurement and maintenance thereof shall in no event limit the liability of Tenant hereunder. The Commercial General Liability Insurance policy shall name Landlord, Landlord's property manager, if any, Landlord's lender(s) and such other persons or firms as Landlord specifies in writing to Tenant from time to time, as additional insureds. All such insurance policies carried by Tenant shall be with companies having a rating of not less than A-VII in Best's Insurance Guide. Tenant shall furnish to Landlord certificates of coverage. Tenant shall, prior to the expiration of such policies, furnish Landlord with renewals or binders. Tenant agrees that if Tenant does not take out and maintain such insurance or furnish Landlord with renewals or binders in a timely manner, upon notice to Tenant and expiration of a reasonable cure period, Landlord may (but shall not be required to) procure said insurance on Tenant's behalf and charge Tenant the cost thereof, which amount shall be payable by Tenant upon demand with interest (at the Interest Rate set forth in Section 20(e) below) from the date such sums are expended. Tenant shall have the right to provide such insurance coverage pursuant to blanket or umbrella policies obtained by Tenant, provided such blanket or umbrella policies afford coverage to the Premises and to Tenant as required by this Lease.

(c) Landlord's Insurance. Landlord shall, as a cost to be included in Operating Costs, procure and maintain at all times during the Term of this Lease, a policy or policies of insurance covering loss or damage to the Project in the amount of the full replacement cost without deduction for depreciation thereof, providing protection against all perils included within the classification of fire and extended coverage, vandalism coverage and malicious mischief, sprinkler leakage, water damage, and special extended coverage on the building. Additionally, Landlord may carry: (i) Bodily Injury and Property Damage Liability Insurance and/or Excess Liability Coverage Insurance; and (ii) Earthquake and/or Flood Damage Insurance; and (iii) Rental Income Insurance; and (iv) any other forms of insurance Landlord may deem appropriate or any lender may require. The costs of all insurance carried by Landlord shall be included in Operating Costs.

EXHIBIT "I"

(d) Waiver of Subrogation. Landlord and Tenant each agree to require their respective insurers issuing the insurance described in Sections 14(a)(ii) and the first sentence of Section 14(c), to waive any rights of subrogation that such companies may have against the other party. Tenant hereby waives any right that Tenant may have against Landlord and Landlord hereby waives any right that Landlord may have against Tenant as a result of any loss or damage to the extent such loss or damage is insurable under such policies and such waiver shall also apply to deductible and self-insured retention amounts.

ARTICLE 15
ASSIGNMENT AND SUBLETTING

Except as expressly provided in this Article 15, Tenant shall have no power to, either voluntarily, involuntarily, by operation of law or otherwise, sell, assign, mortgage, pledge, transfer or hypothecate this Lease, or sublet the Premises or any part thereof, without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Landlord shall grant or deny consent to a proposed Transfer by written notice to Tenant within ten (10) business days after Landlord's receipt of an executed duplicate original of the proposed Transfer document together with financial information reasonably requested by Landlord. If Landlord fails to so respond in writing to Tenant within said ten (10) business day period, Tenant may send a second written notice ("**Deemed Response Notice**") to Landlord with such information and indicating that such Deemed Response Notice is being delivered pursuant to Article 15 of this Lease. Landlord's failure to withhold its consent by written notice to Tenant within five (5) business days after Landlord's receipt of a properly delivered Deemed Response Notice shall be deemed to constitute Landlord's consent to such Transfer. Tenant may transfer its interest pursuant to this Lease only upon the following express conditions, which conditions are agreed by Landlord and Tenant to be reasonable:

- (a) That the proposed Transferee (as hereafter defined) shall be subject to the prior written consent of Landlord, which consent will not be unreasonably withheld.
- (b) That Tenant shall pay to Landlord Landlord's reasonable attorneys' fees and costs incurred in connection with the proposed Transfer, not to exceed a total of \$1,500.00 per proposed Transfer.
- (c) That the proposed Transferee shall execute an agreement pursuant to which it shall agree to perform faithfully and be bound by all of the terms, covenants, conditions, provisions and agreements of this Lease applicable to that portion of the Premises so transferred.

EXHIBIT "I"

(d) That an executed duplicate original of said assignment and assumption agreement or other Transfer on a form reasonably approved by Landlord, shall be delivered to Landlord within five (5) days after the execution thereof, and that such Transfer shall not be binding upon Landlord until the delivery thereof to Landlord and the execution and delivery of Landlord's consent thereto. It shall be a condition to Landlord's consent to any subleasing, assignment or other transfer of part or all of Tenant's interest in the Premises ("**Transfer**") that (i) **[NOT APPLICABLE TO SHORT TERM LEASE: upon Landlord's consent to any Transfer, Tenant shall pay and continue to pay Landlord fifty percent (50%) of any "Transfer Premium" (defined below), received by Tenant from the Transferee;]** (ii) any sublessee of part or all of Tenant's interest in the Premises shall agree that in the event Landlord gives such sublessee notice that Tenant is in default under this Lease, such sublessee shall thereafter make all sublease or other payments directly to Landlord, which will be received by Landlord without any liability whether to honor the sublease or otherwise (except to credit such payments against sums due under this Lease), and any sublessee shall agree to attorn to Landlord or its successors and assigns at their request should this Lease be terminated for any reason, except that in no event shall Landlord or its successors or assigns be obligated to accept such attornment; (iii) Landlord may require that Tenant not then be in default hereunder after expiration of any applicable cure period; and (iv) Tenant or the proposed subtenant or assignee (collectively, "**Transferee**") shall agree to pay Landlord, upon demand, as Additional Rent, a sum equal to the additional costs, if any, incurred by Landlord for maintenance and repair as a result of any change in the nature of occupancy caused by such subletting or assignment. **[NOT APPLICABLE TO SHORT TERM LEASE: "Transfer Premium" shall mean all rent, Additional Rent or other consideration payable by a Transferee in connection with a Transfer in excess of the Basic Rental and Direct Costs payable by Tenant under this Lease during the term of the Transfer and if such Transfer is for less than all of the Premises, the Transfer Premium shall be calculated on a rentable square foot basis. In any event, the Transfer Premium shall be calculated after deducting the reasonable expenses incurred by Tenant for (1) any changes, alterations and improvements to the Premises paid for by Tenant in connection with the Transfer, (2) any other out-of-pocket monetary concessions provided by Tenant to the Transferee, and (3) any brokerage commissions and attorneys' fees paid for by Tenant in connection with the Transfer.]** In no event shall the consent by Landlord to any Transfer be construed as relieving Tenant or any Transferee from obtaining the express written consent of Landlord to any further Transfer, or as releasing Tenant from any liability or obligation hereunder whether or not then accrued and Tenant shall continue to be fully liable therefor. No collection or acceptance of rent by Landlord from any person other than Tenant shall be deemed a waiver of any provision of this Article 15 or the acceptance of any Transferee hereunder, or a release of Tenant (or of any Transferee of Tenant).

The term "**Affiliate**" shall mean (i) any entity that is controlled by, controls or is under common control with, Tenant or (ii) any entity that merges with, is acquired by, or acquires Tenant through the purchase of stock or assets so long as the resulting entity has the same or greater net worth than that of Tenant as of the date of the Transfer. Notwithstanding anything to the contrary contained in this Article 15, an assignment or subletting of all or a portion of the Premises to an Affiliate of Tenant, shall not be deemed a Transfer under this Article 15 (and shall not require Landlord's consent nor result in an obligation to share Transfer Premium), provided that Tenant notifies Landlord of any such assignment or sublease and promptly supplies Landlord with any documents or information requested by Landlord regarding such assignment or sublease or such Affiliate, and further provided that such assignment or sublease is not a subterfuge by Tenant to avoid its obligations under this Lease. An assignee of Tenant's entire interest in this Lease pursuant to the immediately preceding sentence may be referred to herein as an "**Affiliated Assignee**." "**Control**," as used in this Article 15, shall mean the ownership, directly or indirectly, of greater than fifty percent (50%) of the voting securities of, or possession of the right to vote, in the ordinary direction of its affairs, of greater than fifty percent (50%) of the voting interest in, an entity.

EXHIBIT "I"

[FOR SHORT-TERM LEASE ONLY: Landlord and Tenant acknowledge that the following leases currently apply to portions of the Premises (collectively, the "**Existing Leases**"): (i) a lease dated as of March 29, 2013 and amended by Amendment No. 1 dated as of March 29, 2014 and Amendment No. 2 dated as of March 31, 2015 to Alex Machining Corporation for approximately 3,116 square feet (as so amended, the "**Alex Machining Lease**"); (ii) a lease dated as of June 3, 2014 to Sirius Acquisition, LLC for approximately 31,476 square feet (the "**Sirius Lease**"); and (iii) a lease dated as of June 10, 2015 to Broadcast Microwave Services, Inc. for approximately 27,200 square feet (the "**Broadcast Microwave Services Lease**"). The tenants under this Existing Leases may be collectively referred to herein as the "**Existing Tenants**". Landlord and Tenant acknowledge that upon the Commencement Date, due to Landlord's purchase of the Project from Tenant, and Landlord and Tenant entering into this Lease, the Existing Leases shall automatically become subleases and Tenant shall take any and all actions required to document the same. Notwithstanding anything to the contrary contained herein, Landlord hereby consents to the Existing Leases. Landlord and Tenant acknowledge that the Lease Expiration Date of the Sirius Lease is June 6, 2017 and that pursuant to Section 2.3 of the Sirius Lease, Tenant and Sirius Acquisition, LLC each have the right to terminate the Sirius Lease in its entirety upon twelve (12) month prior written notice, which termination will be effective as of the last day of the twelfth (12th) month following the receipt by the other party of such termination notice. Tenant agrees to deliver such termination notice to Sirius Acquisition, LLC upon the Commencement Date (through the escrow established for Landlord's purchase of the Project or otherwise).]

Notwithstanding anything contained herein to the contrary and without limiting the generality of the foregoing provisions of this Article 15, Tenant shall not: (a) sublet all or part of the Premises or assign this Lease on any basis such that the rental or other amounts to be paid by the subtenant or assignee thereunder would be based, in whole or in part, on the income or profits derived by the business activities of the subtenant or assignee; (b) sublet all or part of the Premises or assign this Lease to any person or entity in which, under Section 856(d)(2)(B) of the Internal Revenue Code (the "**Code**"), the Company (defined in Section 30(s) below) or any affiliate of the Company owns, directly or indirectly (by applying constructive ownership rules set forth in Section 856(d) (5) of the Code), a ten percent (10%) or greater interest (it being agreed that Tenant may request Landlord to confirm that an assignee or sublessee will not violate such provision); or (c) sublet all or part of the Premises or assign this Lease in any other manner or otherwise derive any income which could cause any portion of the amounts received by Landlord pursuant hereto or any sublease to fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or which could cause any other income received by Landlord to fail to qualify as income described in Section 856(c) (2) of the Code (provided that any Transfer Premium paid shall not constitute a violation of this provision and Tenant may request Landlord to confirm that there is no violation of this provision). The requirements of this Article 15 shall likewise apply to any further subleasing by any subtenant. All references herein to Section 856 of the Code (or any subsection thereof) also shall refer to any amendments thereof or successor provisions thereto.

EXHIBIT "I"

ARTICLE 16
DAMAGE OR DESTRUCTION

Tenant shall give immediate written notice to Landlord upon Tenant's knowledge of any damage caused to the Premises by fire or other casualty. If the Project is damaged by fire or other insured casualty and the insurance proceeds have been made available therefor by the holder or holders of any mortgages or deeds of trust covering the Project (as further addressed in Article 17 below) and Landlord does not elect to terminate this Lease as hereinafter provided, the damage shall be repaired by Landlord provided such repairs can, as reflected in the Damage Repair Estimate (as defined below), be completed within two hundred seventy (270) days after the necessity for repairs as a result of such damage becomes known to Landlord and until such repairs are completed Basic Rental and Additional Rent shall be abated in proportion to the part of the Premises which is unusable by Tenant in the conduct of its business (but there shall be no abatement of rent by reason of any portion of the Premises being unusable for a period equal to one (1) day or less). Within sixty (60) days after the date Landlord learns of the necessity for repairs as a result of damage, Landlord shall notify Tenant (the "**Damage Repair Estimate**") of Landlord's reasonable estimate of the period of time in which the repairs will be completed, based upon an estimate from a contractor experienced in comparable repairs. Upon the occurrence of any damage to the Premises, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Section 14(a)(ii)(A) above. If repairs cannot, as reflected in the Damage Repair Estimate, be completed within two hundred seventy (270) days after the necessity for repairs as a result of such damage becomes known to Landlord without the payment of overtime or other premiums, Landlord may, at its option, either (i) make such repairs in a reasonable time and in such event this Lease shall continue in effect and the Basic Rental and Additional Rent shall be abated, if at all, in the manner provided in this Article 16, or (ii) elect not to effect such repairs and instead terminate this Lease, by notifying Tenant in writing of such termination within sixty (60) days after Landlord learns of the necessity for repairs as a result of damage, such notice to include a termination date giving Tenant sixty (60) days to vacate the Premises. However, if the Damage Repair Estimate indicates that repairs cannot be completed within two hundred seventy (270) days after being commenced, Tenant may elect, not later than thirty (30) days after Tenant's receipt of the Damage Repair Estimate, to terminate this Lease by written notice to Landlord effective as of the date specified in Tenant's notice. In addition, Landlord may elect to terminate this Lease if the Project shall be damaged by fire or other casualty or cause, whether or not the Premises are affected, if the damage is material and is not fully covered, except for deductible amounts, by Landlord's insurance policies, unless Tenant agrees to fund the insurance shortfall. Finally, if the Premises or the Project is damaged to any substantial extent during the last twelve (12) months of the Term, then notwithstanding anything contained in this Article 16 to the contrary, Landlord and Tenant shall each have the option to terminate this Lease by giving written notice to the other party of the exercise of such option within sixty (60) days after such party learns of the necessity for repairs as the result of such damage; provided, however, that Tenant may nullify any such termination by Landlord if Tenant properly exercises an available extension Option under Article 31 below (but otherwise subject to the provisions set forth above). Except as provided in this Article 16, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business or property arising from such damage or destruction or the making of any repairs, alterations or improvements in or to any portion of the Project or the Premises or in or to fixtures, appurtenances and equipment therein. Tenant understands that Landlord will not carry insurance of any kind on Tenant's furniture, furnishings, trade fixtures or equipment, and that Landlord shall not be obligated to repair any damage thereto or replace the same. With respect to any damage which Landlord is obligated to repair or elects to repair, Tenant, as a material inducement to Landlord entering into this Lease, irrevocably waives and releases its rights under the provisions of Sections 1932 and 1933 of the California Civil Code, except as expressly provided in this Article 16 above.

EXHIBIT "I"

ARTICLE 17
SUBORDINATION

This Lease is subject and subordinate to all mortgages and deeds of trust which affect the Real Property, including all renewals, modifications, consolidations, replacements and extensions thereof. Tenant agrees that any mortgagee or ground lessor shall have no duty, liability or obligation to perform any of the obligations of Landlord under this Lease and shall have the right at any time to subordinate its mortgage, deed of trust, ground lease or other lien to this Lease; provided, however, notwithstanding that this Lease may be (or may become) superior to a mortgage, deed of trust, ground lease or other lien, the mortgagee shall not be liable for prepaid rentals, security deposits (unless delivered to such mortgagee, deed of trust beneficiary or ground lessor) and claims accruing during Landlord's ownership (unless the circumstances giving rise to such claims continue after such entity succeeds to Landlord's interest); and further provided that the provisions of a mortgage, deed of trust, ground lease or other lien relative to the rights of the mortgagee with respect to proceeds arising from an eminent domain taking (including a voluntary conveyance by Landlord) and provisions relative to proceeds arising from insurance payable by reason of damage to or destruction of the Premises shall be prior and superior to any contrary provisions contained in this Lease with respect to the payment or usage thereof (but if such proceeds are not allocated for repairs as otherwise provided in this Lease, and Landlord does not otherwise fund the cost of such repairs, Tenant may terminate this Lease). Landlord is hereby irrevocably vested with full power and authority to subordinate this Lease to any mortgage, deed of trust, ground lease or other lien hereafter placed upon the Premises; provided, however, that (i) within ten (10) business days' written request of Landlord to Tenant, Tenant agrees to promptly execute, acknowledge and deliver any and all commercially reasonable documents or instruments which Landlord or such holder or holders deem necessary or desirable for purposes thereof; and (ii) a condition precedent to such subordination shall be that Landlord obtains from the lender or other party in question a commercially reasonable non-disturbance agreement in favor of Tenant. Subject to the foregoing, (a) Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any and all mortgages or deeds of trust which may hereafter be executed covering the Premises, the Project or the property or any renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof and (b) Tenant agrees, within ten (10) business days after Landlord's written request therefor, to execute, acknowledge and deliver upon request any and all commercially reasonable documents or instruments requested by Landlord or necessary or proper to assure the subordination of this Lease to any such mortgages, deed of trust, or leasehold estates. Tenant agrees that in the event any proceedings are brought for the foreclosure of any mortgage or deed of trust or any deed in lieu thereof, to attorn to the purchaser or any successors thereto upon any such foreclosure sale or deed in lieu thereof as so requested to do so by such purchaser and to recognize such purchaser as the lessor under this Lease; Tenant shall, within ten (10) business days after request execute such further instruments or assurances as such purchaser may reasonably deem necessary to evidence or confirm such attornment. Tenant agrees to provide copies of any notices of Landlord's default under this Lease to any mortgagee or deed of trust beneficiary whose address has been provided to Tenant. Tenant waives the provisions of any current or future statute, rule or law which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of the Tenant hereunder in the event of any foreclosure proceeding or sale. Concurrently with their execution and delivery this Lease, Landlord, Tenant and any lender under a mortgage or deed of trust which may affect the Real Property as of the Commencement Date shall execute and deliver a subordination, non-disturbance and attornment agreement as a condition to the subordination of this Lease to any such mortgage or deed of trust.

EXHIBIT "I"

ARTICLE 18
EMINENT DOMAIN

If the whole of the Premises or the Project or so much thereof as to render the balance unusable by Tenant shall be taken under power of eminent domain, or is sold, transferred or conveyed in lieu thereof, this Lease shall automatically terminate as of the date possession is taken by the condemning authority. No award for any partial or entire taking shall be apportioned, and Tenant hereby assigns to Landlord any award which may be made in such taking or condemnation, together with any and all rights of Tenant now or hereafter arising in or to the same or any part thereof; provided, however, that nothing contained herein shall be deemed to give Landlord any interest in or to require Tenant to assign to Landlord any award made to Tenant for the taking of personal property and trade fixtures belonging to Tenant and removable by Tenant at the expiration of the Term hereof as provided hereunder or for the interruption of, or damage to, Tenant's business or for Tenant's moving costs (as long as such separate award does not reduce the amount of the award that would otherwise be awarded to Landlord). In the event of a partial taking described in this Article 18, or a sale, transfer or conveyance in lieu thereof, which does not result in a termination of this Lease, the rent shall be apportioned according to the ratio that the part of the Premises remaining useable by Tenant bears to the total area of the Premises. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of the California Code of Civil Procedure.

ARTICLE 19
DEFAULT

(a) **Tenant's Default**. Each of the following acts or omissions of Tenant shall constitute an "**Event of Default**":

(i) Failure or refusal to pay Basic Rental, Additional Rent or any other amount to be paid by Tenant to Landlord hereunder within five (5) days after notice that the same is due or payable hereunder;

(ii) Except as set forth in items (i) above and (iii) and (iv) below, failure to perform or observe any other covenant or condition of this Lease to be performed or observed within thirty (30) days following written notice to Tenant of such failure; provided, however, if the nature of such default is such that the same cannot be reasonably cured within a thirty (30) day period, Tenant shall not be deemed to be in default if Tenant diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure said default for a period not to exceed ninety (90) days. Such thirty (30) day notice shall be in lieu of, and not in addition to, any required under Section 1161 of the California Code of Civil Procedure or any similar or successor law;

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(iii) The taking in execution or by similar process or law (other than by eminent domain) of the estate hereby created; or

(iv) The filing by Tenant or any guarantor hereunder in any court pursuant to any statute of a petition in bankruptcy or insolvency or for reorganization or arrangement for the appointment of a receiver of all or a portion of Tenant's property; the filing against Tenant or any guarantor hereunder of any such petition, or the commencement of a proceeding for the appointment of a trustee, receiver or liquidator for Tenant, or for any guarantor hereunder, or of any of the property of either, or a proceeding by any governmental authority for the dissolution or liquidation of Tenant or any guarantor hereunder, if such proceeding shall not be dismissed or trusteeship discontinued within thirty (30) days after commencement of such proceeding or the appointment of such trustee or receiver; or the making by Tenant or any guarantor hereunder of an assignment for the benefit of creditors. Tenant hereby stipulates to the lifting of the automatic stay in effect and relief from such stay for Landlord in the event Tenant files a petition under the United States Bankruptcy laws, for the purpose of Landlord pursuing its rights and remedies against Tenant and/or a guarantor of this Lease.

(b) Landlord's Default. In the event Landlord should default in any of its obligations hereunder, Tenant shall give Landlord written notice specifying such default and Landlord shall thereupon have thirty (30) days (plus an additional reasonable period as may be required in the exercise by Landlord of due diligence) in which to cure any such default provided that if the default is not reasonably capable of being cured in thirty (30) days, Landlord shall be deemed to be in compliance with this Lease if Landlord commences to cure the default within such thirty (30) day period and diligently and continuously prosecutes such cure to completion for a period not to exceed ninety (90) days; provided however, if Landlord's default is of a nature which if not cured immediately, poses an imminent risk of harm to persons or property and/or will have an immediate, material, adverse effect on the conduct of Tenant's business operations at the Premises, Tenant shall have the right to cure such default immediately, with only such prior notice (if any) to Landlord as is reasonable under the circumstances. Furthermore, upon any such default by Landlord under this Lease, Tenant may, except as otherwise specifically provided in this Lease to the contrary, exercise any of its rights provided at law or in equity; provided that in no event may Tenant terminate the Lease without first obtaining a judgment.

ARTICLE 20
REMEDIES

(a) Upon the occurrence of an Event of Default under this Lease as provided in Article 19 hereof, Landlord may exercise all of its remedies as may be permitted by law, including but not limited to the remedy provided by Section 1951.4 of the California Civil Code and any successor statute or similar Law, and including without limitation, terminating this Lease, reentering the Premises and removing all persons and property therefrom, which property may be stored by Landlord at a warehouse or elsewhere at the risk, expense and for the account of Tenant. If Landlord elects to terminate this Lease, Landlord shall be entitled to recover from Tenant the aggregate of all amounts permitted by law, including but not limited to (i) the worth at the time of award of the amount of any unpaid rent which had been earned at the time of such termination; plus (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; and (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law. The term "rent" as used in this Section 20(a) shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in items (i) and (ii), above, the "worth at the time of award" shall be computed by allowing interest at the rate set forth in item (e), below, but in no case greater than the maximum amount of such interest permitted by law. As used in item (iii), above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%). Tenant hereby waives for Tenant and all those claiming under Tenant all right now or hereafter existing including, without limitation, any rights under California Code of Civil Procedure Sections 1174 and 1179 and Civil Code Section 1950.7 to redeem by order or judgment of any court or by any legal process or writ, Tenant's right of occupancy of the Premises after any termination of this Lease.

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(b) Nothing in this Article 20 shall be deemed to affect Landlord's right to indemnification for liability or liabilities arising prior to the termination of this Lease for personal injuries or property damage under the indemnification clause or clauses contained in this Lease.

(c) Notwithstanding anything to the contrary set forth herein, Landlord's re-entry to perform acts of maintenance or preservation of or in connection with efforts to relet the Premises or any portion thereof, or the appointment of a receiver upon Landlord's initiative to protect Landlord's interest under this Lease shall not terminate Tenant's right to possession of the Premises or any portion thereof and, until Landlord does elect to terminate this Lease, this Lease shall continue in full force and effect and Landlord may enforce all of Landlord's rights and remedies hereunder including, without limitation, the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due.

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(d) All rights, powers and remedies of Landlord hereunder and under any other agreement now or hereafter in force between Landlord and Tenant shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Landlord by law, and the exercise of one or more rights or remedies shall not impair Landlord's right to exercise any other right or remedy.

(e) Any amount due from one (1) party to another hereunder which is not paid when due shall bear interest at the rate ("**Interest Rate**") equal to the lower of ten percent (10%) per annum or the maximum lawful rate of interest from the due date until paid, unless otherwise specifically provided herein, but the payment of such interest shall not excuse or cure any default by Tenant under this Lease. In addition to such interest, if Basic Rental is not paid on or before the fifth (5th) day of the calendar month for which the same is due, a late charge equal to three percent (3%) of the amount overdue shall be immediately due and owing, which late charge Tenant hereby agrees is a reasonable estimate of the damages Landlord shall suffer as a result of Tenant's late payment. Such charges for interest and late payments are separate and cumulative and are in addition to and shall not diminish or represent a substitute for any or all of Landlord's rights or remedies under any other provision of this Lease. Notwithstanding the foregoing, Tenant shall be entitled to notice and the expiration of a five (5) day cure period prior to an imposition of any late charge or interest charge under this Section 20(e) one (1) time per calendar year; after such written notice has been provided to Tenant in a calendar year, Tenant shall not be entitled to any further notice prior to imposition of a late charge or interest under this Section 20(e) in such calendar year.

(f) Notwithstanding anything to the contrary set forth in this Lease, Landlord shall be in default in the performance of any obligation required to be performed by Landlord pursuant to this Lease if Landlord fails to perform such obligation within thirty (30) days after the receipt of notice from Tenant specifying in detail Landlord's failure to perform; provided, however, if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be in default under this Lease if it shall commence such performance within such thirty (30) day period and thereafter diligently pursue the same to completion. Upon any such default by Landlord under this Lease, Tenant may, except as otherwise specifically provided in this Lease to the contrary, exercise any of its rights provided at law or in equity.

(g) When this Lease requires service of a notice, that notice shall replace rather than supplement any equivalent or similar statutory notice, including any notice required by California Code of Civil Procedure Section 1161 or any similar or successor statute. When a statute requires service of a notice in a particular manner, service of that notice (or a similar notice required by this Lease) in the manner required by this Article 20 shall replace and satisfy the statutory service-of-notice procedures, including those required by California Code of Civil Procedure Section 1162 or any similar or successor statute.

ARTICLE 21
TRANSFER OF LANDLORD'S INTEREST

In the event of any transfer or termination of Landlord's interest in the Premises or the Project by sale, assignment, transfer, foreclosure, deed-in-lieu of foreclosure or otherwise whether voluntary or involuntary, Landlord shall be automatically relieved of any and all obligations and liabilities on the part of Landlord from and after the date of such transfer or termination, including furthermore without limitation, the obligation of Landlord under Article 4 and California Civil Code 1950.7 above to return the security deposit, provided said security deposit is transferred to said transferee. Tenant agrees to attorn to the transferee upon any such transfer and to recognize such transferee as the lessor under this Lease and Tenant shall, within five (5) days after request, execute such further commercially reasonable instruments or assurances as such transferee may reasonably deem necessary to evidence or confirm such attornment.

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ARTICLE 22
BROKER

In connection with this Lease, Landlord and Tenant warrant and represent that they have had dealings only with the firm set forth in Article 1.G. of the Basic Lease Provisions and that they know of no other person or entity who is or might be entitled to a commission, finder's fee or other like payment in connection herewith. Each party does hereby indemnify and agree to hold the other and their agents, members, partners, representatives, officers, affiliates, shareholders, employees, successors and assigns harmless from and against any and all loss, liability and expenses that the other may incur should such warranty and representation prove incorrect, inaccurate or false.

ARTICLE 23
PARKING

Tenant shall be entitled to use, commencing on the Commencement Date, the number of parking spaces set forth in Article 1.H. of the Basic Lease Provisions. Those parking spaces designated on Exhibit "D" shall be for the exclusive use of Tenant and may be designated by Tenant as reserved for Tenant and the remaining parking spaces shall be available on an unreserved basis **[THE FOLLOWING TO BE SUBSTITUTED FOR SHORT-TERM LEASE: Broadcast Microwave Services, Inc. shall be entitled to retain the four (4) reserved parking spaces to which it is entitled under its Existing Lease and the remaining parking spaces shall be available on an unreserved basis]**. Tenant shall not be required to pay to Landlord any fee for parking spaces during the initial Term or any applicable Option Term. Tenant shall abide by all reasonable and non-discriminatory rules and regulations which are prescribed from time to time for the orderly operation and use of the parking areas of the Project and Tenant shall cooperate in seeing that Tenant's employees and visitors also comply with such rules and regulations. Subject to Tenant's parking rights hereunder, Landlord specifically reserves the right to change the size, configuration, design, layout and all other aspects of the Project parking facility at any time and Tenant acknowledges and agrees that Landlord may, without incurring any liability to Tenant and without any abatement of rent under this Lease, from time to time, temporarily close-off or restrict access to areas of the Project parking facility for purposes of permitting or facilitating any such construction, alteration or improvements. Landlord may delegate its responsibilities hereunder to a parking operator or a lessee of the parking facility in which case such parking operator or lessee shall have all the rights of control attributed hereby to the Landlord. In the event that parking capacity problems arise for the Project, Landlord shall implement such parking programs as reasonably determined by Landlord to alleviate such capacity problem, which programs may include, without limitation, valet programs, security programs and parking decals (collectively, the "**Parking Programs**"). The cost of such Parking Programs shall be included in Operating Costs; provided that if a parking problem is caused solely by Tenant or any other tenants of the Project as determined by Landlord in its commercially reasonable discretion, then the cost of the particular Parking Program shall be borne solely by the party or parties causing the problem.

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ARTICLE 24
WAIVER

No waiver by Landlord or Tenant of any provision of this Lease shall be deemed to be a waiver of any other provision hereof or of any subsequent breach of the same or any other provision. No provision of this Lease may be waived by Landlord or Tenant, except by an instrument in writing executed by the waiving party. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act of Tenant, whether or not similar to the act so consented to or approved. No act or thing done by Landlord or Landlord's agents during the Term of this Lease shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept such surrender shall be valid unless in writing and signed by Landlord. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent. Any payment by Tenant or receipt by Landlord of an amount less than the total amount then due hereunder shall be deemed to be in partial payment only thereof and not a waiver of the balance due or an accord and satisfaction, notwithstanding any statement or endorsement to the contrary on any check or any other instrument delivered concurrently therewith or in reference thereto. Accordingly, Landlord may accept any such amount and negotiate any such check without prejudice to Landlord's right to recover all balances due and owing and to pursue its other rights against Tenant under this Lease, regardless of whether Landlord makes any notation on such instrument of payment or otherwise notifies Tenant that such acceptance or negotiation is without prejudice to Landlord's rights.

ARTICLE 25
ESTOPPEL CERTIFICATE

Tenant shall, at any time and from time to time, upon not less than fifteen (15) days' prior written notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing certifying the following information, (but not limited to the following information in the event further information regarding this Lease is requested by Landlord): (i) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as modified, is in full force and effect); (ii) the dates to which the rental and other charges are paid in advance, if any; (iii) the amount of Tenant's security deposit, if any; and (iv) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, and no events or conditions then in existence which, with the passage of time or notice or both, would constitute a default on the part of Landlord hereunder, or specifying such defaults, events or conditions, if any are claimed. It is expressly understood and agreed that any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Real Property.

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ARTICLE 26
LIABILITY OF LANDLORD

Notwithstanding anything in this Lease to the contrary, any remedy of Tenant for the collection of a judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default by Landlord hereunder or any claim, cause of action or obligation, contractual, statutory or otherwise by Tenant against Landlord or the Landlord Parties concerning, arising out of or relating to any matter relating to this Lease and all of the covenants and conditions or any obligations, contractual, statutory, or otherwise set forth herein, shall be limited solely and exclusively to an amount which is equal to the sum of (a) the rents, issues and profits of the Project (which shall be deemed to include the net proceeds of any sale of the Project by Landlord, provided that any claim is made by Tenant within one (1) year following the date of any such sale, as well as any insurance or condemnation proceeds not applied to the restoration of the Project and subject to the prior rights of any mortgagee or ground or underlying lessor of Landlord), plus (b) the interest of Landlord in and to the Project. No other property or assets of Landlord or any Landlord Party shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, Landlord's obligations to Tenant, whether contractual, statutory or otherwise, the relationship of Landlord and Tenant hereunder, or Tenant's use or occupancy of the Premises.

ARTICLE 27
INABILITY TO PERFORM

This Lease and the obligations of both parties hereunder shall not be affected or impaired because a party obligated to perform is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of any prevention, delay or stoppage due to strikes, lockouts, acts of God, terrorism, evacuation or any other cause previously, or at such time, beyond the reasonable control or anticipation of such party (collectively, a "Force Majeure") and such party's obligations under this Lease shall be forgiven and suspended by any such Force Majeure; provided, however, that this Article 27 is not intended to, and shall not, extend the time period for the payment of any monetary amounts due (including, without limitation, rent payments from Tenant) from either party to the other under this Lease nor relieve either party from their monetary obligations to the other under this Lease.

ARTICLE 28
HAZARDOUS WASTE

(a) Tenant shall not cause or permit any Hazardous Material (as defined in Section 28(b) below) to be brought, kept or used in or about the Project by Tenant, its agents, employees or contractors, except for products that are incidental to Tenant's use of the Premises and general office supplies typically used in the ordinary course of business (e.g., copier toner, glue, ink, and cleaning solvents), which shall be in commercially reasonable amounts and in accordance with all applicable Environmental Laws. Tenant indemnifies Landlord and the Landlord Parties from and against any breach by Tenant of the obligations stated in the preceding sentence, and agrees to indemnify, defend and hold Landlord and the Landlord Parties harmless from and against any and all Claims as a result of the release of Hazardous Materials by Tenant or Tenant's agents, employees, contractors and subcontractors. Such obligations shall survive the expiration or termination of this Lease.

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(b) As used herein, the term "**Hazardous Material**" means any hazardous or toxic substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is (i) defined as "Hazardous Waste," "Extremely Hazardous Waste," or "Restricted Hazardous Waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140, of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "Hazardous Substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "Hazardous Material," "Hazardous Substance," or "Hazardous Waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "Hazardous Substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) listed under Article 9 or defined as Hazardous or extremely hazardous pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (viii) designated as a "Hazardous Substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. § 1317), (ix) defined as a "Hazardous Waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq. (42 U.S.C. § 6903), or (x) defined as a "Hazardous Substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq. (42 U.S.C. § 9601).

(c) As used herein, the term "**Environmental Laws**" means any applicable federal, state or local law, ordinance, or regulation relating to any Hazardous Material affecting the Project, including, without limitation, the laws, ordinances, and regulations referred to in Section 28(b) above.

(d) Landlord shall, at no cost to Tenant (and not as an Operating Cost), remove or remediate any Hazardous Material in the Project to the extent required under applicable Environmental Laws, except where such removal or remediation is Tenant's responsibility pursuant to Section 28(a) above and except that the cost of any abatement, clean-up or remediation of Hazardous Materials which exist at the Project as of the date of this Lease and required by Environmental Laws may be passed through to Tenant as an Operating Cost.

ARTICLE 29

SURRENDER OF PREMISES; REMOVAL OF PROPERTY

(a) The voluntary or other surrender of this Lease by Tenant to Landlord, or a mutual termination hereof, shall not work a merger, and shall at the option of Landlord, operate as an assignment to it of any or all subleases or subtenancies affecting the Premises.

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(b) Upon the expiration of the Term of this Lease, or upon any earlier termination of this Lease, Tenant shall quit and surrender possession of the Premises to Landlord in the same condition as on the Commencement Date, reasonable wear and tear and repairs which are Landlord's obligation excepted, and shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, all furniture, equipment, business and trade fixtures, free-standing cabinet work, moveable partitioning, and other articles of personal property in the Premises. Tenant shall be responsible for the cost to repair all damage to the Premises resulting from the removal of any of such items from the Premises.

(c) Whenever Landlord shall reenter the Premises as provided in Article 20 hereof, or as otherwise provided in this Lease, any property of Tenant not removed by Tenant upon the expiration of the Term of this Lease, as provided in this Lease, shall be considered abandoned and Landlord may remove any or all of such items and dispose of the same in any manner or store the same in a public warehouse or elsewhere for the account and at the expense and risk of Tenant, and if Tenant shall fail to pay the cost of storing any such property after it has been stored for a period of thirty (30) days or more, Landlord may sell any or all of such property at public or private sale, in such manner and at such times and places as Landlord, in its sole discretion, may deem proper, without notice to or demand upon Tenant, for the payment of all or any part of such charges or the removal of any such property, and shall apply the proceeds of such sale as follows: first, to the cost and expense of such sale, including reasonable attorneys' fees and costs for services rendered; second, to the payment of the cost of or charges for storing any such property; third, to the payment of any other sums of money which may then or thereafter be due to Landlord from Tenant under any of the terms hereof; and fourth, the balance, if any, to Tenant.

(d) Tenant Improvements and Alterations attached to or built into the Premises prior to or during the Term shall be and remain part of the Premises and shall not be removed by Tenant at the end of the Term unless otherwise expressly provided in Section 9(f) above. However, notwithstanding the foregoing, (i) Tenant shall be required to remove any specialized chillers, chilled water lines, compressors and liquid nitrogen tanks in accordance with all applicable Laws upon the expiration or earlier termination of this Lease, and (ii) Tenant may, but shall not be obligated to, remove the items listed on Exhibit "C" attached hereto and made a part hereof, in which case Tenant shall repair any damage to the Premises resulting from such removal.

ARTICLE 30
MISCELLANEOUS

(a) **SEVERABILITY; ENTIRE AGREEMENT.** ANY PROVISION OF THIS LEASE WHICH SHALL PROVE TO BE INVALID, VOID, OR ILLEGAL SHALL IN NO WAY AFFECT, IMPAIR OR INVALIDATE ANY OTHER PROVISION HEREOF AND SUCH OTHER PROVISIONS SHALL REMAIN IN FULL FORCE AND EFFECT. THIS LEASE AND THE EXHIBITS ATTACHED HERETO CONSTITUTE THE ENTIRE AGREEMENT BETWEEN THE PARTIES HERETO WITH REGARD TO TENANT'S OCCUPANCY OR USE OF ALL OR ANY PORTION OF THE PROJECT, AND NO PRIOR AGREEMENT OR UNDERSTANDING PERTAINING TO ANY SUCH MATTER SHALL BE EFFECTIVE FOR ANY PURPOSE. NO PROVISION OF THIS LEASE MAY BE AMENDED OR SUPPLEMENTED EXCEPT BY AN AGREEMENT IN WRITING SIGNED BY THE PARTIES HERETO OR THEIR SUCCESSOR IN INTEREST. THE PARTIES AGREE THAT ANY DELETION OF LANGUAGE FROM THIS LEASE PRIOR TO ITS MUTUAL EXECUTION BY LANDLORD AND TENANT SHALL NOT BE CONSTRUED TO HAVE ANY PARTICULAR MEANING OR TO RAISE ANY PRESUMPTION, CANON OF CONSTRUCTION OR IMPLICATION INCLUDING, WITHOUT LIMITATION, ANY IMPLICATION THAT THE PARTIES INTENDED THEREBY TO STATE THE CONVERSE, OBVERSE OR OPPOSITE OF THE DELETED LANGUAGE.

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(b) Attorneys' Fees; Waiver of Jury Trial.

(i) In any action to enforce the terms of this Lease, including any suit by Landlord for the recovery of rent or possession of the Premises, the losing party shall pay the successful party a reasonable sum for attorneys' fees and costs in such suit and such attorneys' fees and costs shall be deemed to have accrued prior to the commencement of such action and shall be paid whether or not such action is prosecuted to judgment.

(ii) **TO THE EXTENT PERMITTED BY LAW, EACH PARTY HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION SEEKING SPECIFIC PERFORMANCE OF ANY PROVISION OF THIS LEASE, FOR DAMAGES FOR ANY BREACH UNDER THIS LEASE, OR OTHERWISE FOR ENFORCEMENT OF ANY RIGHT OR REMEDY HEREUNDER.**

(c) Time of Essence. Time is of the essence with respect to the performance of every provision of this Lease.

(d) Headings. The article headings contained in this Lease are for convenience only and do not in any way limit or amplify any term or provision hereof. The terms "Landlord" and "Tenant" as used herein shall include the plural as well as the singular, and the neuter shall include the masculine and feminine genders.

(e) Rules and Regulations. Tenant shall observe the reasonable and non-discriminatory rules and regulations ("**Rules and Regulations**") which Landlord may from time to time reasonably adopt by notice to Tenant for the safety, care and cleanliness of the Project, the facilities thereof, or the preservation of good order therein. Any such Rules and Regulations shall be consistent with the terms of this Lease and in the event of any inconsistency between this Lease and the Rules and Regulations, this Lease shall prevail.

(f) Quiet Possession. Upon Tenant's paying the Basic Rental, Additional Rent and other sums provided hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire Term hereof, subject to all of the provisions of this Lease.

(g) Rent. All payments required to be made hereunder to Landlord shall be deemed to be rent, whether or not described as such.

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(h) Successors and Assigns. Subject to the provisions of Article 15 hereof, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

(i) Notices. Any notice required or permitted to be given hereunder shall be in writing and may be given by personal service evidenced by a signed receipt (or refusal to accept delivery) or sent by registered or certified mail, return receipt requested, or via overnight courier, and shall be effective upon proof of delivery (or refusal to accept delivery), addressed to Tenant at the Premises, Attn: Chief Financial Officer, or to Landlord at _____ **[TO BE PROVIDED BY LANDLORD]**. Either party may by notice to the other specify a different address for notice purposes.

(j) Survival of Obligations. Any obligations of Landlord or Tenant occurring prior to the expiration or earlier termination of this Lease shall survive such expiration or earlier termination.

(k) Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of California. No conflicts of law rules of any state or country (including, without limitation, California conflicts of law rules) shall be applied to result in the application of any substantive or procedural laws of any state or country other than California. All controversies, claims, actions or causes of action arising between the parties hereto and/or their respective successors and assigns, shall be brought, heard and adjudicated by the courts of the State of California, with venue in the County in which the Project is located. Each of the parties hereto hereby consents to personal jurisdiction by the courts of the State of California in connection with any such controversy, claim, action or cause of action, and each of the parties hereto consents to service of process by any means authorized by California law and consent to the enforcement of any judgment so obtained in such courts of the State of California on the same terms and conditions as if such controversy, claim, action or cause of action had been originally heard and adjudicated to a final judgment in such courts. Each of the parties hereto further acknowledges that the laws and courts of California were freely and voluntarily chosen to govern this Lease and to adjudicate any claims or disputes hereunder.

(l) Office of Foreign Assets Control. Each party certifies to the other that (i) they are not entering into this Lease, nor acting, for or on behalf of any person or entity named as a terrorist or other banned or blocked person or entity pursuant to any law, order, rule or regulation of the United States Treasury Department or the Office of Foreign Assets Control, and (ii) they shall not assign their interest in this Lease or, in the case of Tenant, sublease to any such person or entity or anyone acting on behalf of any such person or entity.

(m) California Certified Access Specialist Inspection. Landlord hereby informs Tenant that the Project has not undergone inspection by a Certified Access Specialist (as defined in the California Code of Regulations).

(n) Exterior Equipment. Throughout the Term of this Lease (as may be extended), Tenant shall be entitled to maintain any existing backup generators serving the Premises and, subject to Landlord's prior approval of all plans and specifications, which approval shall not be unreasonably withheld, Landlord shall permit Tenant to install and maintain, at Tenant's sole cost and expense, a new backup generator at a location reasonably approved by Landlord (collectively, "**Backup Generators**"). Such Backup Generators shall be used by Tenant during (i) testing and regular maintenance, and (ii) any period of electrical power outage in the Project. Tenant shall ensure that the Backup Generators do not result in Hazardous Materials contamination (and Section 28(a) will apply to Tenant's use of Backup Generators) and Tenant shall be responsible for ensuring that the Backup Generators do not unreasonably interfere with the use of the Project by other tenants. Furthermore, throughout the Term of this Lease (as may be extended), Tenant shall be entitled to maintain and Landlord shall not disturb any existing air compressors, air tanks, and pipes for chilled water, vacuum and liquid nitrogen inside and outside of the Premises (together with the Backup Generators, collectively, "**Exterior Equipment**"); provided that Tenant, at Tenant's cost, shall maintain all such equipment in good condition and repair and in compliance with all applicable Laws. Upon expiration or earlier termination of this Lease, except as expressly provided in Section 29(d) above, the Exterior Equipment shall not be removed by Tenant and shall be left in place.

EXHIBIT "I"

(o) Landlord Lien Waiver/Equipment Financing. Landlord acknowledges that some of Tenant's furniture, trade fixtures, equipment and other personal property (collectively "**Tenant's Property**") installed and used by Tenant on the Premises may be financed by a third-party lender or lessor (collectively, an "**Equipment Lienor**"), and Landlord hereby agrees to recognize the rights of any such Equipment Lienor to remove Tenant's Property from the Premises during the Lease Term (or any Option Term, if applicable), subject to the Lienor Requirements below. Landlord agrees that all of Tenant's Property installed or to be installed on the Premises shall be and remain personal property and not real property. Landlord waives the right of distraint and agrees that it does not have and shall not assert any right, lien or claim in or to the financed or leased Tenant's Property, and agrees that, subject to the Lienor Requirements, any Equipment Lienor may remove and dispose of such financed or leased Tenant's Property, without reference to, and free and clear of, any demand of Landlord. Upon Tenant's request, Landlord shall promptly execute and deliver to Tenant a form of Landlord's waiver reasonably acceptable to Landlord in favor of any Equipment Lienor; provided, however, that any such document must provide the following (collectively, the "**Lienor Requirements**"): (i) such lender shall not have the right to place a lien on, nor remove, any Tenant Improvements, any Alterations, any item which is a part of Landlord's realty or any other item which has been permanently affixed to the Premises or the Project, (ii) any such Equipment Lienor must agree to repair any damage to the Premises and the Project resulting from such removal and to indemnify, defend and hold Landlord harmless from any and all loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys' fees) incurred in connection with or arising from such Equipment Lienor's exercise of its rights under such lien and/or removal of any such items from the Premises, and (iii) no such Equipment Lienor shall be entitled to dispose of, sell or auction any such item at the Premises or the Project.

(p) Communication Equipment. Subject to Tenant's compliance with all Laws, Tenant and Tenant's contractors (which shall first be reasonably approved by Landlord) shall have the right and access to install, repair, replace, remove, operate and maintain satellite dishes or other similar devices, such as antennae (collectively, "**Communication Equipment**") and all cable, wiring, conduits and related equipment, for the purpose of receiving and sending radio, television, computer, telephone or other communication signals, at location(s) on the roof of the Project designated by Tenant and reasonably approved by Landlord; provided that (1) Tenant maintains all such equipment in good condition and repair and in a manner that will not unreasonably interfere with other tenants' operations in the Project, and (2) Tenant takes no action that will invalidate any roof warranties. If penetration of the roof cannot be avoided, Tenant shall retain Landlord's designated roofing contractor to make any necessary penetrations and associated repairs to the roof in order to preserve Landlord's roof warranty. Tenant's installation and operation of the Communication Equipment shall be governed by the following terms and conditions:

EXHIBIT "I"

(i) All plans and specifications for the Communication Equipment shall be subject to Landlord's reasonable approval.

(ii) All costs of installation, operation and maintenance of the Communication Equipment and any necessary related equipment (including, without limitation, costs of obtaining any necessary permits and connections to the Project's electrical system) shall be borne by Tenant.

(iii) Tenant shall use the Communication Equipment so as not to cause any interference to other tenants in the Project, and not to damage the Project or interfere with the normal operation of the Project and shall use the Communication Equipment solely for its use in the Premises.

(iv) Tenant shall (A) promptly pay any tax, license or permit fees charged pursuant to any laws or regulations in connection with the installation, maintenance or use of the Communication Equipment, and (B) pay for all necessary repairs, replacements to or maintenance of the Communication Equipment.

(v) The Communication Equipment shall remain the sole property of Tenant. Tenant shall remove the Communication Equipment and related equipment at Tenant's sole cost and expense upon the expiration or sooner termination of this Lease, and shall repair the Project upon such removal to the extent required by such work of removal.

(q) Exhibits. The Exhibits attached hereto are incorporated herein by this reference as if fully set forth herein.

(r) Counterparts. This Lease may be executed in counterparts, each of which shall be deemed an original, but such counterparts, when taken together, shall constitute one agreement.

(s) REIT Compliance. Tenant acknowledges that it has been informed that Atlantic CT REIT, Inc., a Delaware corporation (the "**Company**"), an affiliate of Landlord, elects to be taxed as a real estate investment trust (a "**REIT**") under the Code. Therefore, notwithstanding anything to the contrary in this Lease, Tenant shall not take any action, or permit any status to exist at the Premises, which (i) Tenant has been notified would adversely affect the Company's status as a REIT, and (ii) is not permitted under this Lease. Tenant hereby agrees to modifications of this Lease required to retain or clarify the Company's status as a REIT, provided such modifications: (a) are reasonable, (b) do not adversely affect Tenant's use of the Premises as herein permitted, and (c) do not increase the Basic Rental, Additional Rent or other sums to be paid by Tenant. Landlord may submit to Tenant an amendment to this Lease incorporating such required modifications, and Tenant shall execute, acknowledge and deliver such amendment to Landlord within thirty (30) days after Tenant's receipt thereof.

EXHIBIT "I"

(t) No Recording. Neither this Lease nor any memorandum thereof shall be recorded by or on behalf of Tenant in any real property records or other public records without the prior written consent of Landlord, which may be withheld in Landlord's sole and absolute discretion.

ARTICLE 31
OPTION TO EXTEND

(a) Option Right. Provided that Tenant is not then in material default under this Lease after expiration of any applicable cure period, Landlord hereby grants the Tenant named in this Lease (the "**Original Tenant**") or any Affiliated Assignee two (2) options ("**Options**") to extend the Term (or first Option Term, as applicable) for the entire Premises for a period of five (5) years each ("**Option Terms**"), which Options shall be exercisable only by written notice delivered by Tenant to Landlord as set forth below. The rights contained in this Article 31 shall be personal to the Original Tenant and any Affiliated Assignee and may only be exercised by the Original Tenant or any Affiliated Assignee (and not any other transferee) if the Premises is not subject to a sublease to other than Affiliate of greater than twenty percent (20%) of the Premises as of the date of Tenant's Acceptance (as defined in Section 31(c) below).

(b) Option Rent. The rent payable by Tenant during the Option Term ("**Option Rent**") shall be equal to the "Market Rent" (defined below). "**Market Rent**" shall mean the applicable Monthly Basic Rental at which tenants, as of the commencement of the Option Term, are entering into leases for non-sublease space which is comparable in size, location and quality to the Premises in new and renewal transactions, for a term comparable to the Option Term, which comparable space is located in buildings comparable to the Project in Poway, California, taking into consideration any applicable concessions including, without limitation, free rent, improvements and improvement allowances, and also taking into consideration the value of the existing improvements in the Premises as compared to the value of the existing improvements in such comparable space.

(c) Exercise of Options. The Options shall be exercised by Tenant by delivering written notice ("**Tenant's Acceptance**") to Landlord not more than twelve (12) months nor less than nine (9) months prior to the expiration of the Term (or first Option Term, as applicable). Within fifteen (15) business days of Landlord's receipt of Tenant's written notice, Landlord shall deliver notice ("**Option Rent Notice**") to Tenant setting forth Landlord's determination of the Option Rent. Tenant may, at its option, within fifteen (15) business days of receiving Landlord's Option Rent Notice, object to Landlord's determination of the Option Rent contained in the Option Rent Notice by written notice ("**Objection Notice**") to Landlord. Tenant's failure to deliver the Tenant's Obligation Notice on or before the date specified above shall be deemed to constitute Tenant's approval of the terms set forth in the Option Rent Notice. If Tenant timely and properly exercises its Option, the Term (or first Option Term, as applicable) shall be extended for the Option Term upon all of the terms and conditions set forth in this Lease, except that the rent for the Option Term shall be as indicated in the Option Rent Notice unless Tenant objects to the Option Rent contained in the Option Rent Notice within the timeframe set forth above, in which case the parties shall follow the procedure and the Option Rent shall be determined, as set forth in Section 31(d) below.

EXHIBIT "I"

(d) Determination of Market Rent. If Tenant timely objects to the Market Rent as provided above, Landlord and Tenant shall attempt to agree upon the Market Rent using their best good-faith efforts. If Landlord and Tenant fail to reach agreement within thirty (30) days following Tenant's Acceptance ("**Outside Agreement Date**"), then Tenant shall make a separate determination of the Market Rent which shall be submitted to Landlord, and Tenant's determination of Market Rent and Landlord's determination of Market Rent as set forth in the Option Rent Notice shall be submitted to arbitration in accordance with the following items (i) through (vii):

(i) Landlord and Tenant shall each appoint, within ten (10) days of the Outside Agreement Date, one arbitrator who shall by profession be a current real estate broker or appraiser of comparable commercial properties in the immediate vicinity of the Project, and who has been active in such field over the last ten (10) years. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's submitted Market Rent is the closest to the actual Market Rent as determined by the arbitrators, taking into account the requirements of item (b), above (i.e., the arbitrators may only select Landlord's or Tenant's determination of Market Rent and shall not be entitled to make a compromise determination).

(ii) The two (2) arbitrators so appointed shall within five (5) business days of the date of the appointment of the last appointed arbitrator agree upon and appoint a third arbitrator who shall be qualified under the same criteria set forth hereinabove for qualification of the initial two (2) arbitrators.

(iii) The three (3) arbitrators shall within fifteen (15) days of the appointment of the third arbitrator reach a decision based on the concurrence of no less than two (2) of such arbitrators as to whether the parties shall use Landlord's or Tenant's submitted Market Rent, and shall notify Landlord and Tenant thereof.

(iv) The decision of the majority of the three (3) arbitrators shall be binding upon Landlord and Tenant.

(v) If either Landlord or Tenant fails to appoint an arbitrator within ten (10) days after the applicable Outside Agreement Date, the arbitrator appointed by one of them shall reach a decision, notify Landlord and Tenant thereof, and such arbitrator's decision shall be binding upon Landlord and Tenant.

(vi) If the two (2) arbitrators fail to agree upon and appoint a third (3rd) arbitrator, or both parties fail to appoint an arbitrator, then the appointment of the third arbitrator or any arbitrator shall be dismissed and the matter to be decided shall be forthwith submitted to arbitration under the provisions of the American Arbitration Association, but subject to the instruction set forth in this item (d).

(vii) The cost of arbitration shall be paid by Landlord and Tenant equally.

[ARTICLE 31 NOT APPLICABLE TO SHORT-TERM LEASE]

EXHIBIT "I"

ARTICLE 32
RIGHT OF FIRST OFFER

Subject to the following terms and conditions, and provided that Tenant is not then in material default under this Lease after expiration of applicable cure periods, Landlord hereby grants to Tenant a continuing right of first offer with respect to the remainder of the Project ("**First Offer Space**"). Notwithstanding the foregoing, such first offer right of Tenant shall become effective only after the date which is three (3) years from the Commencement Date; it being agreed that Landlord shall be free to market the remainder of the Project for the first three (3) years following the Commencement Date without having to offer any space to Tenant as provided in this Article 32. Tenant's right of first offer shall be on the terms and conditions set forth in this Article 32.

(a) **Procedure for Offer.** If, after the first three (3) years following the Commencement Date, any space is available in the Project that Landlord desires to lease to a third party, Landlord shall notify Tenant (the "**First Offer Notice**") from time to time. The First Offer Notice shall describe the space so offered to Tenant and shall set forth Landlord's proposed material economic terms and conditions applicable to Tenant's lease of such space (collectively, the "**Economic Terms**"), including the proposed rent payable for the First Offer Space; provided, however, that the term of Tenant's lease of the First Offer Space shall be for the greater of (i) five (5) years, or (ii) a period which is co-terminous with the Term of Tenant's lease of the Premises. Notwithstanding the foregoing, Landlord's obligation to deliver the First Offer Notice shall not apply during the last twelve (12) months of the Term or first Option Term unless Tenant has timely delivered Tenant's Acceptance to Landlord pursuant to Section 31(c) above.

(b) **Procedure for Acceptance.** If Tenant wishes to exercise Tenant's right of first offer with respect to the space described in the First Offer Notice, then within ten (10) business days after delivery of the First Offer Notice to Tenant, Tenant shall deliver notice ("**Exercise Notice**") to Landlord of Tenant's exercise of its right of first offer with respect to the entire space described in the First Offer Notice, and the Economic Terms shall be as set forth in the First Offer Notice unless Tenant objects thereto in the Exercise Notice (which objection shall include Tenant's proposed Economic Terms). If Tenant objects in Tenant's Exercise Notice to Landlord's determination of the Economic Terms and provides Tenant's proposed Economic Terms therein, then Landlord and Tenant shall negotiate, in good faith, to agree upon such Economic Terms. If Tenant does not exercise its right of first offer within the aforementioned ten (10) business day period, or if Tenant does exercise its right of first offer by timely delivery of the Exercise Notice but objects to Landlord's determination of Economic Terms (and Landlord and Tenant are unable to agree upon such Economic Terms within ten (10) business days after Tenant's delivery of the Exercise Notice), then Landlord shall be free to lease the space described in the First Offer Notice to anyone to whom Landlord desires; provided, however, that if Landlord intends to enter into a lease upon Economic Terms which are more than five percent (5%) more favorable to a third (3rd) party tenant than those Economic Terms proposed by Landlord in the First Offer Notice (blending all concessions on a straight-line basis over the applicable lease terms), Landlord shall first deliver written notice to Tenant ("**Second Chance Notice**") providing Tenant with the opportunity to lease the First Offer Space on such more favorable Economic Terms. Tenant's failure to elect to lease the First Offer Space upon such more favorable Economic Terms by written notice to Landlord within five (5) business days after Tenant's receipt of such Second Chance Notice from Landlord shall be deemed to constitute Tenant's election not to lease such space upon such more favorable Economic Terms, in which case Landlord shall be entitled to lease such space to any third (3rd) party on terms no more favorable to the third (3rd) party than those set forth in the Second Chance Notice. If Landlord does lease such First Offer Space to a third (3rd) party tenant pursuant to the terms and conditions of this Section 32(b) above, Tenant shall have no further right to lease such First Offer Space until the expiration or earlier termination of such third (3rd) party lease including any renewal or extension of such third (3rd) party lease pursuant to an extension or renewal option specified therein. Notwithstanding anything to the contrary contained herein, Tenant must elect to exercise its right of first offer, if at all, with respect to all of the space offered by Landlord to Tenant at any particular time, and Tenant may not elect to lease only a portion thereof.

EXHIBIT "I"

(c) Lease of First Offer Space. If Tenant timely and properly exercises Tenant's right to lease the First Offer Space as set forth herein, Landlord and Tenant shall execute an amendment to this Lease adding such First Offer Space to the Premises upon the same non-economic terms and conditions as applicable to the Premises, and the Economic Terms and conditions as provided in this Article 32.

(d) Limitation. The rights contained in this Article 32 shall be personal to the Original Tenant and any Affiliated Assignee and may only be exercised by the Original Tenant or any Affiliated Assignee (and not any other transferee) if the Premises is not subject to a sublease to other than an Affiliate of greater than twenty percent (20%) of the Premises as of the date of Tenant's receipt of the First Offer Notice.

[ARTICLE 32 NOT APPLICABLE TO SHORT-TERM LEASE]

ARTICLE 33
SIGNAGE

Tenant shall be entitled to retain the existing monument sign located closest to the Premises throughout the Term of this Lease. In addition, Tenant shall be entitled to install, at its sole cost and expense, signage on the exterior of the Project ("**Signage**"). The graphics, materials, size, color, design, lettering, lighting (if any), specifications and exact location of the Signage (collectively, the "**Signage Specifications**") shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld. In addition, the Signage and all Signage Specifications therefor shall be subject to Tenant's receipt of all required governmental permits and approvals and all covenants, conditions and restrictions effecting the Project. The cost of installation of Signage and all costs of design and construction of such Signage and the cost of maintenance and repair of the Signage shall be the sole responsibility of Tenant. Upon the expiration or earlier termination of this Lease, Tenant shall, at its sole cost and expense, cause the Signage to be removed from the Project and to repair any damage to the Project resulting from such removal. **[ALTERNATIVE CLAUSE APPLICABLE TO SHORT-TERM LEASE: Throughout the term of this Lease, the Existing Tenants shall be entitled to retain the signs installed pursuant to their Existing Lease and to otherwise install signs to which they are entitled under their Existing Lease, subject to the applicable terms of their Existing Lease.]**

EXHIBIT "I"

IN WITNESS WHEREOF, the parties have executed this Lease, consisting of the foregoing provisions and Articles, including all exhibits referenced therein, as of the date first above written.

"LANDLORD"

a _____
By: /s/ _____
Print _____
Name: _____
Title: _____

"TENANT"

COHU, INC.,
a Delaware corporation

By: /s/ _____
Print _____
Name: _____
Title: _____

By: _____
Print _____
Name: _____
Title: _____

EXHIBIT "I"

EXHIBIT "A" TO EXHIBIT "I"

PREMISES

EXHIBIT "A" TO
EXHIBIT "I"

EXHIBIT "B" TO EXHIBIT "I"

**NOTICE OF TERM DATES
AND TENANT'S PROPORTIONATE SHARE**

TO: _____ DATE: _____

RE: Lease dated _____, 20____, between _____ ("Landlord"), and _____
_____ ("Tenant"), concerning Suite _____, located at _____.

Ladies and Gentlemen:

In accordance with the Lease, Landlord wishes to advise and/or confirm the following:

1. That the Premises have been accepted herewith by Tenant.
2. That the Tenant has taken possession of the Premises and acknowledges that under the provisions of the Lease the Term of said Lease shall commence as of _____ for a Term of _____ ending on _____.
3. That in accordance with the Lease, Basic Rental commenced to accrue on _____.
4. If the Commencement Date of the Lease is other than the first day of the month, the first billing will contain a pro rata adjustment. Each billing thereafter shall be for the full amount of the monthly installment as provided for in said Lease.
5. Rent is due and payable in advance on the first day of each and every month during the Term of said Lease. Your rent checks should be made payable to _____ at _____.
6. The exact number of rentable square feet within the Premises is _____ square feet (which includes Tenant's share of the Shared Space).

**EXHIBIT ONLY
DO NOT SIGN**

**EXHIBIT "B" TO
EXHIBIT "I"**

7. Tenant's Proportionate Share, as adjusted based upon the exact number of rentable square feet within the Premises (and Tenant's share of the Shared Space) is _____%.

AGREED AND ACCEPTED:

TENANT:

_____,
a _____

By: _____
Its: _____

EXHIBIT ONLY
*****DO NOT SIGN*****

EXHIBIT "B" TO
EXHIBIT "I"

EXHIBIT "C" TO EXHIBIT "I"

REMOVABLE ITEMS

[FOR LONG TERM LEASE]

[FOR SHORT TERM LEASE]

DESC	MANUFACTURER	MODEL NO	SERIAL NO	LOCATION	REMOVE BY
Air Compressor, 200HP	Sullair	TS20-200H	003-124851	Cohu	L/T lease
Air Compressor, 200 HP	Sullair	TS20-200H	003-121678	Cohu	L/T lease
Air Compressor, 100 HP	Sullair	LS20-100H	003-112614	Cohu	L/T lease
Air Compressor, 100 HP	Sullair	LS20-100H	003-113054	Cohu	L/T lease
Air Compressor, 40 HP	Sullair	10-40	003-93827	Cohu	L/T lease
Air Compressor, 40 HP	Sullair	10-40	003-87710	Cohu	L/T lease
Air Dryer	Pneumatech	AD-500	9709-1127457-ST	Cohu	L/T lease
Air Dryer	Pneumatech	PE-S-2100	0102-S135226-023369	Cohu	L/T lease
Air Dryer	Airtec	1W-1000	T01035-04K	Cohu	L/T lease
Air Dryer	Airtec	SPC500-A4	100500462	Cohu	L/T lease
Air Dryer	Airtec	SCM-165	94-4629H	Cohu	L/T lease
Air Dryer	Airtec	CT-165	09G-008658	Cohu	L/T lease
Air Dryer	Airtec	CT-2500	05E-002013	Cohu	L/T lease
Flow Control, Compressed Air	ConsenAir	E6-2K4A4	n/a	Cohu	L/T lease
Tank, Compressed Air (Large)	n/a	n/a	n/a	Cohu	L/T lease
Tank, Compressed Air	Nat'l Bd	174701	52378	Cohu	L/T lease
Vacuum Pump (Final Test)	Sullair	VS-10-15/A	003-V87493	Cohu	L/T lease
Vacuum Pump (Engineering)	Sullair	VS-10-15/A	20112090024	Cohu	L/T lease
Generator	Kohler	150RE0ZJD	2248235	Cohu	L/T lease
Baler, Cardboard	Bace	V63	V631500121	Cohu	L/T lease
Tank, LN2	Argas	LEASED	n/a	Cohu	L/T lease
A/C Unit, Server Room	Liebert	FH199A-AAG	351847-001	Cohu	L/T lease
A/C Unit, Server Room	Liebert	DS053ADA0E162S	C11J8E0175	Cohu	L/T lease
UPS, Server Room	Toshiba	G9000 Series	n/a	Cohu	L/T lease
UPS, Server Room	Liebert	4286	n/a	Cohu	L/T lease
UPS, Server Room	Liebert	4287	n/a	Cohu	L/T lease
Argonite Pre-System	Potter	PFC-4410-RC	n/a	Cohu	L/T lease
Argonite System	Kidde	Aures	n/a	Cohu	L/T lease
Bus Bar System w/ related grnd in Hi-Bay area	n/a	n/a	n/a	New Tenant	S/T lease
Chilled Water Lines	n/a	n/a	n/a	New Tenant	S/T lease
LN2 Lines	n/a	n/a	n/a	New Tenant	S/T lease
Electrical	n/a	n/a	n/a	New Tenant	S/T lease
CDA lines (elevate)	n/a	n/a	n/a	New Tenant	S/T lease
HVAC ducting	n/a	n/a	n/a	New Tenant	S/T lease
Vacuum lines	n/a	n/a	n/a	New Tenant	S/T lease
Vesda Smoke Detector System	Vesda	Laser Scanner	n/a	New Tenant	S/T lease

[FOR SHORT TERM LEASE]

Bus Bar System w/ related grnd in Hi-Bay area	n/a	n/a	n/a	New Tenant	S/T lease
Chilled Water Lines	n/a	n/a	n/a	New Tenant	S/T lease
LN2 Lines	n/a	n/a	n/a	New Tenant	S/T lease
Electrical	n/a	n/a	n/a	New Tenant	S/T lease
CDA lines (elevate)	n/a	n/a	n/a	New Tenant	S/T lease
HVAC ducting	n/a	n/a	n/a	New Tenant	S/T lease
Vacuum lines	n/a	n/a	n/a	New Tenant	S/T lease
Vesda Smoke Detector System	Vesda	Laser Scanner	n/a	New Tenant	S/T lease

**EXHIBIT "C" TO
EXHIBIT "I"**

EXHIBIT "D" TO EXHIBIT "I"

EXCLUSIVE PARKING AREA [N/A TO SHORT-TERM LEASE]

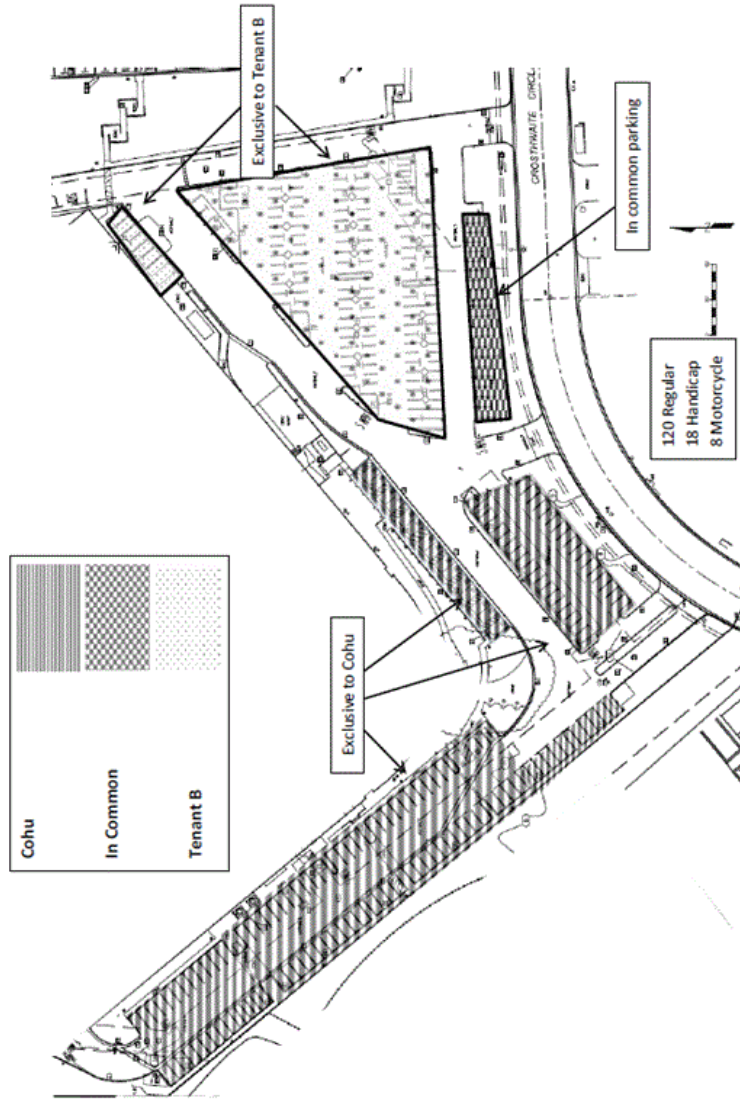


EXHIBIT "D" TO
EXHIBIT "I"

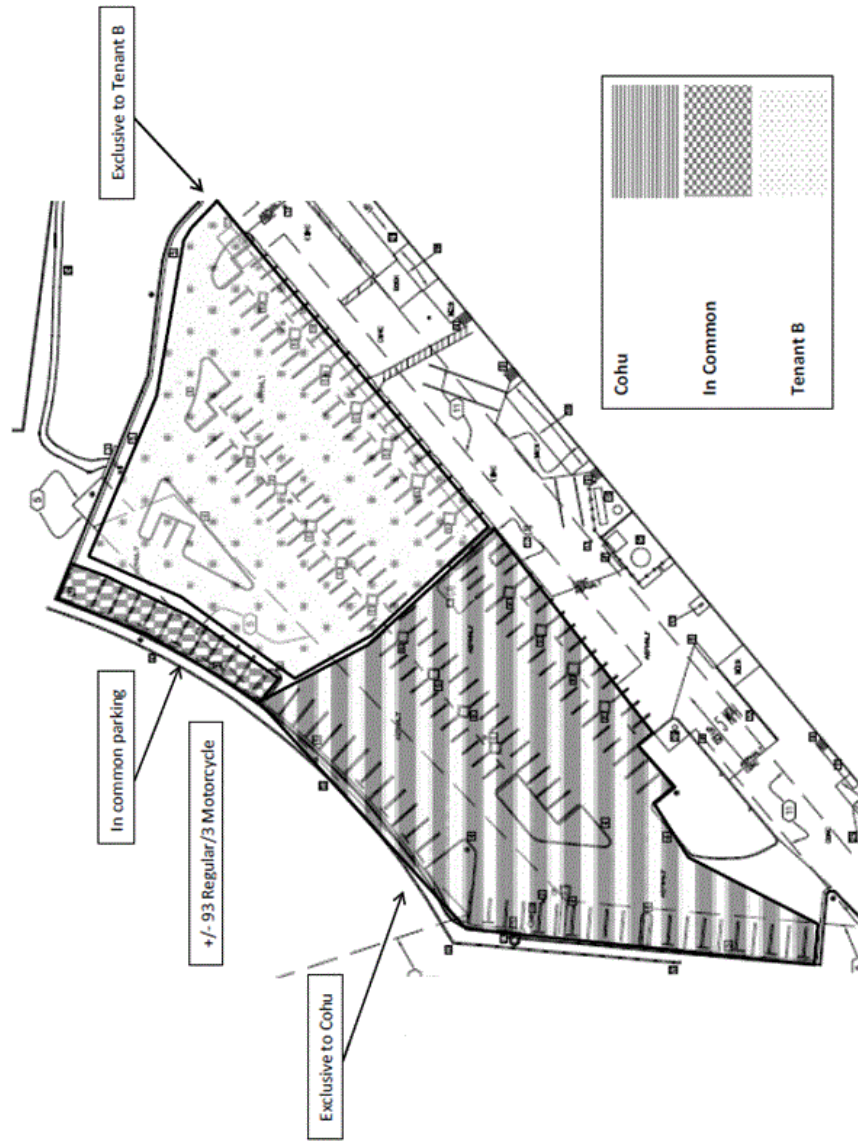


EXHIBIT "D" TO
EXHIBIT "I"

EXHIBIT "E" TO EXHIBIT "I"

PRE-APPROVED ALTERATIONS

PROJECT DESCRIPTION	ESTIMATED \$	SERVICE PROVIDER	EST COMP DATE
LCBI Area/Clean Area (DI water, Construction, Electrical, Sprinklers, HVAC, Sewer)	\$183,335	Various	12/31/15
Final Test Area & THA (LN2 Pipework Modifications, Electrical, Construction)	\$72,344	Various	12/31/15
Main Conference Room	\$210,028	JVB Construction Management	01/31/16
Evacuate Grid	\$263,742	Various	01/31/16
Restrooms ADA Upgrade	\$29,675	JVB Construction Management	09/30/15
TOTAL	\$759,124		

EXHIBIT "E" TO
EXHIBIT "I"

EXHIBIT "J"

LIST OF INCLUDED PERSONAL PROPERTY

All (i) fixtures, (ii) building systems, and (iii) equipment and other tangible personal property that, as of the Effective Date or at any time prior to Closing, is affixed to the Real Property.

EXHIBIT "J"

EXHIBIT "K"

DUE DILIGENCE ITEMS

**12367 Crosthwaite Circle
Poway, California 92064**

- Best and Final Due Diligence
ALTA Survey
- 12367 Crosthwaite Cir - ALTA Survey - detailed.pdf 05/13/2015
- Updated: 05/13/2015 Size: 1834kb
- 12367 Crosthwaite Cir - ALTA Survey - single pg.pdf 05/13/2015
- Updated: 05/13/2015 Size: 287kb
- Floor Plans
- 1st Floor.dwg 05/13/2015
- Updated: 05/13/2015 Size: 1906kb
- 1st Floor.pdf 05/13/2015
- Updated: 05/13/2015 Size: 600kb
- 2nd Floor.dwg 05/13/2015
- Updated: 05/13/2015 Size: 611kb
- 2nd Floor.pdf 05/13/2015
- Updated: 05/13/2015 Size: 137kb
- Third Party Reports
- 12367 Crosthwaite Circle - Phase I Report.pdf 05/13/2015
- Updated: 05/13/2015 Size: 2177kb
- 12367 Crosthwaite Circle - Property Condition Report.pdf 05/13/2015
- Updated: 05/13/2015 Size: 3022kb
- 12367 Crosthwaite Circle - Science Risk Report.pdf 05/13/2015
- Updated: 05/13/2015 Size: 1342kb
- 12367 Crosthwaite Circle - Preliminary Title Report.pdf 05/13/2015
- Updated: 05/13/2015 Size: 402kb
- 2014-2015 Property Taxes.pdf 05/13/2015
- Updated: 05/13/2015 Size: 130kb
- Schedule Best and Final Due Diligence:
Additional DD from Code 9-11-15
Maintenance Records
Elevators
- 5 Year Fall Load Safety Test.pdf 08/11/2015
- Updated: 08/11/2015 Size: 249kb
- 5 Year PM Agreement 2014.pdf 08/11/2015
- Updated: 08/11/2015 Size: 632kb
- Cab fan quote.pdf 08/11/2015
- Updated: 08/11/2015 Size: 89kb
- Load Test Reports.pdf 08/11/2015
- Updated: 08/11/2015 Size: 193kb
- Proposed No GAL 175061166551.pdf 08/11/2015
- Updated: 08/11/2015 Size: 120kb
- Service 7-28-14.pdf 08/11/2015
- Updated: 08/11/2015 Size: 109kb
- Estimator
- 6 most invoices.pdf 08/11/2015
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- Updated: 08/11/2015Size: 345kb
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- District Contact Sheet-Cost. Info Park.doc 08/11/2015
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 Leaking Pipe Service Request.pdf 08/11/2015
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- Sprinkler Head Repair, 5-15.pdf 08/11/2015
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- Sprinkler Inspection - April 2013.pdf 08/11/2015
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- Updated: 08/11/2015 Size: 92kb
- Sprinkler Inspection Sept 2009.pdf 08/11/2015
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- Sprinkler System Replacement Plan.pdf 08/11/2015
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- Sprinkler System Replacement Project.mpp 08/11/2015
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- Updated: 08/11/2015 Size: 60kb
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- WED Portal.pdf 08/11/2015
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Landscape Maintenance:
 2012 Q2 Trivia.pdf 08/11/2015
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- AEW Controller A 3-13-12.pdf 08/11/2015
- Updated: 08/11/2015 Size: 46kb
- Ball Valve Installation - PVC, Sch 40 - Nov. 2014.pdf 08/11/2015
- Updated: 08/11/2015 Size: 134kb
- Ball Valve replacement located on the West side of the property.pdf 08/11/2015
- Updated: 08/11/2015 Size: 135kb
- Cancellation Letter 2014.pdf.doc 08/11/2015
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- 1Eq Pole Clearance.pdf 08/11/2015
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- Ice Plant Installation 5.25.14.pdf 08/11/2015
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- Irrigation Ball Valve replacement located on the West side 3-6-15.pdf 08/11/2015
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 Invoice_Sep_2014.pdf 08/11/2015
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 July_2014_Service.pdf 08/11/2015
Updated: 08/11/2015Size: 186kb
 Airgas_Bulk_LNG_Agreement_2014.pdf 08/11/2015
Updated: 08/11/2015Size: 336kb
 Cohn_Poway_Building_2014-2015_operating_costs.xlsx 08/11/2015
Updated: 08/11/2015Size: 24kb
 Cohn_Poway_Property_Insurance_Claims_note_in_2010.pdf 08/11/2015
Updated: 08/11/2015Size: 6825kb
 Coverall_Amterical_Agreement_2015.pdf 08/11/2015
Updated: 08/11/2015Size: 197kb
Additional DD from Cohn 3-7-15
 Alex_Machung_Lease_and_Assessments.pdf 08/07/2015
Updated: 08/07/2015Size: 11613kb
 Arch_Pkg_Sup_Design.pdf 08/07/2015
Updated: 08/07/2015Size: 8156kb
 BMS_Lease_FINAL.pdf 08/07/2015
Updated: 08/07/2015Size: 1073kb
 Cohn_Poway_Bldg_Service_Contracts.xlsx 08/07/2015
Updated: 08/07/2015Size: 54kb
 Cohn_Poway_Property_Tax_Bill.pdf 08/07/2015
Updated: 08/07/2015Size: 1053kb
 Cohn_Property_Library_Bills_2.pdf 08/07/2015
Updated: 08/07/2015Size: 7036kb
 Cohn_Property_Utility_Bills_3.pdf 08/07/2015
Updated: 08/07/2015Size: 2461kb
 Cohn_Property_Utility_Bills.pdf 08/07/2015
Updated: 08/07/2015Size: 5920kb
 Geotechnics_Report_re_Settlement_Cohn_Poway_Bldg.pdf 08/07/2015
Updated: 08/07/2015Size: 5907kb
 Hoke_DD_report_1998.pdf 08/07/2015
Updated: 08/07/2015Size: 10780kb
 HVAC_Equipment_List_Maynor.xlsx 08/07/2015
Updated: 08/07/2015Size: 99kb
 Ph_1_Environ_Site.pdf 08/07/2015
Updated: 08/07/2015Size: 9150kb
 Poway_Listing_Agreement_CBBE.pdf 08/07/2015
Updated: 08/07/2015Size: 5199kb
 Tab 5 Lease Agreement.pdf 08/07/2015
Updated: 08/07/2015Size: 641kb
Service Contracts

EXHIBIT "K"

Service Contract, Alarm Testing and Monitoring doc 06/16/2015
Updated: 06/16/2015 Size: 72kb

Service Contract, Alarm System for Kitchen Hood.pdf 06/16/2015
Updated: 06/16/2015 Size: 345kb

Service Contract, Argonite Fire Suppression System.pdf 06/16/2015
Updated: 06/16/2015 Size: 85kb

Service Contract, Dock Levelers and Rollup Doors.pdf 06/16/2015
Updated: 06/16/2015 Size: 167kb

Service Contract, Elevator Maintenance.pdf 06/16/2015
Updated: 06/16/2015 Size: 4324b

Service Contract, Fire Extinguishers.pdf 06/16/2015
Updated: 06/16/2015 Size: 325kb

Service Contract, Fire Sprinkler System.pdf 06/16/2015
Updated: 06/16/2015 Size: 174kb

Service Contract, HVAC.pdf 06/16/2015
Updated: 06/16/2015 Size: 848kb

Service Contract, Janitorial Service.pdf 06/16/2015
Updated: 06/16/2015 Size: 208kb

Service Contract, Kitchen Hood Cleaning.pdf 06/16/2015
Updated: 06/16/2015 Size: 52kb

Service Contract, Landscaping.pdf 06/16/2015
Updated: 06/16/2015 Size: 1870kb

Service Contract, Parking Lot Power Sweeping.pdf 06/16/2015
Updated: 06/16/2015 Size: 81kb

Service Contract, Pest Control.pdf 06/16/2015
Updated: 06/16/2015 Size: 32kb

Service Contract, Security.docx 06/16/2015
Updated: 06/16/2015 Size: 79kb

Service Contract, Sewing Hogs.pdf 06/16/2015
Updated: 06/16/2015 Size: 63kb

Service Contract, Vendo Smoke Detector.pdf 06/16/2015
Updated: 06/16/2015 Size: 28kb

Service Contract, Window Cleaning.pdf 06/16/2015
Updated: 06/16/2015 Size: 71kb

1 Borel MIC Only Water Analyses for the Delta Design Facility TOL0072015.pdf 06/02/2015
Updated: 06/02/2015 Size: 260kb

Certificate of Occupancy.pdf 06/16/2015
Updated: 06/16/2015 Size: 309kb

Culu Transfers Low Rams valued 8.17.2012.pdf 06/02/2015
Updated: 06/02/2015 Size: 26kb

Culu_Poicy_Building_Related_Goals.xls 08/14/2015
Updated: 08/14/2015 Size: 35kb

Copy of Energy Performance.xlsx 08/10/2015
Updated: 08/10/2015 Size: 16kb

Copy of ENERGY STAR Certification Status.xlsx 08/10/2015
Updated: 08/10/2015 Size: 16kb

Copy of Footprint Reduction Costs.xlsx 08/24/2015
Updated: 08/24/2015 Size: 37kb

Fire Safety Inspection Aug 2015.pdf 08/24/2015
Updated: 08/24/2015 Size: 355kb

Governmental Notices, Seller's Permits.pdf 06/16/2015
Updated: 06/16/2015 Size: 2104kb

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EXHIBIT "K"

**AGREEMENT OF PURCHASE AND SALE
AND JOINT ESCROW INSTRUCTIONS**

BETWEEN

COHU, INC.,
a Delaware corporation,

AS SELLER

and

ACTH II LLC,
a Delaware limited liability company,

AS BUYER

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COHU, INC.
SARBANES-OXLEY ACT SECTION 302(a)
CERTIFICATION

I, Luis A. Müller, certify that:

1. I have reviewed this Form 10-Q of Cohu, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ Luis A. Müller

Luis A. Müller

President & Chief Executive Officer

COHU, INC.
SARBANES-OXLEY ACT SECTION 302(a)
CERTIFICATION

I, Jeffrey D. Jones, certify that:

1. I have reviewed this Form 10-Q of Cohu, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ Jeffrey D. Jones

Jeffrey D. Jones
Vice President Finance & Chief Financial Officer

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the accompanying Quarterly Report of Cohu, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended September 26, 2015 (the "Report"), I, Luis A. Müller, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2015

/s/ Luis A. Müller
Luis A. Müller,
President & Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the accompanying Quarterly Report of Cohu, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended September 26, 2015 (the "Report"), I, Jeffrey D. Jones, Vice President Finance & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2015

/s/ Jeffrey D. Jones
Jeffrey D. Jones,
Vice President Finance & Chief Financial Officer