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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

OR

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

COMMISSION FILE NUMBER 1-4298

COHU, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

95-1934119

(State or other jurisdiction of
Incorporation or Organization)

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

5755 KEARNY VILLA ROAD, SAN DIEGO, CALIFORNIA
(Address of principal executive offices)

92123
(Zip Code)

Registrant's telephone number, including area code: (858) 541-5194

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, \$1.00 PAR VALUE

PREFERRED STOCK PURCHASE RIGHTS, \$1.00 PAR VALUE

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 if disclosure of delinquent filers pursuant to
Item 405 of Regulation S-K is not contained herein, and will not be contained,
to the best of registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this Form 10-K or any
amendment to this Form 10-K. ☒

The aggregate market value of voting stock held by nonaffiliates of the
registrant was approximately \$323,000,000 as of February 15, 2001. Shares of
common stock held by each officer and director and by each person or group who
owns 5% or more of the outstanding common stock have been excluded in that such
persons or groups may be deemed to be affiliates. This determination of
affiliate status is not necessarily a conclusive determination for other
purposes.

As of February 15, 2001, the Registrant had 20,344,984 shares of its
\$1.00 par value common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Proxy
Statement for Cohu, Inc.'s 2001 Annual Meeting of Stockholders.

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This Annual Report on Form 10-K 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. The words "anticipate", "expect", "believe", "plan" and similar expressions are intended to identify such statements. Such statements are subject to certain risks and uncertainties, including but not limited to those discussed herein and, in particular, under the caption "Business and Market Risks" beginning on page 11 that could cause actual results to differ materially from those projected.

PART I

ITEM 1. BUSINESS

A predecessor of Cohu, Inc. ("Cohu" or the "Company") was incorporated under the laws of California in 1947 as Kalbfell Lab., Inc. and commenced active operations in the same year. Its name was changed to Kay Lab in 1954. In 1957 Cohu was reincorporated under the laws of the State of Delaware as Cohu Electronics, Inc. and in 1972 its name was changed to Cohu, Inc.

Cohu has two reportable segments as defined by FASB Statement No. 131, Disclosures about Segments of an Enterprise and Related Information. The semiconductor equipment segment, operated under Cohu's wholly owned subsidiary Delta Design, Inc., designs, manufactures and sells semiconductor test handling equipment to semiconductor manufacturers and semiconductor test subcontractors throughout the world. The television camera segment (the "Electronics Division") designs, manufactures and sells closed circuit television cameras and systems to original equipment manufacturers, contractors and government agencies. Cohu's other operating segments include Fisher Research Laboratory, Inc. ("FRL"), a metal detection business, and Broadcast Microwave Services, Inc. ("BMS"), a microwave radio equipment company.

Sales by segment, expressed as a percentage of total consolidated net sales, for the last three years were as follows:

	2000	1999	1998
	----	----	----
Semiconductor equipment	87%	84%	80%
Television cameras	9	10	12
Other	4	6	8
	---	---	---
	100%	100%	100%
	===	===	===

Additional financial information on industry segments for each of the last three years is included on pages 9 (Selected Financial Data) and 25 (Note 9 to the Consolidated Financial Statements).

SEMICONDUCTOR EQUIPMENT

Effective January 1, 2000, Cohu united its semiconductor equipment operations, Delta Design (San Diego, CA) and Daymarc (Littleton, MA) under the Delta Design name. Based on 1999 market data compiled by VLSI Research, Delta Design ("Delta") was the largest worldwide supplier of semiconductor test handling equipment. Delta designs, manufactures, markets and services a broad range of test handlers, capable of handling a variety of integrated circuit ("IC") packages. Test handlers are electromechanical systems, that are used to automate the IC final test process. Testing determines the quality and performance of the IC prior to shipment to customers. While testers are designed for specific IC types, such as microprocessor, logic, DRAM or mixed signal, handlers are engineered to process one or more of the various plastic or ceramic packages which protect the micro-circuitry and provide electrical connection to the printed circuit board or substrate.

Most test handlers use either gravity-feed or pick-and-place technologies to process ICs. Delta's product lines include both pick-and-place and gravity-feed handlers. The IC package type normally determines the appropriate handling approach. Because gravity-feed handling is simple, reliable and fast, it is the preferred technique for handling packages with leads on only two sides, including the dual-in-line ("DIP") and Small Outline ("SOIC"). ICs with leads on all four sides, such as the Quad Flat Pack and certain ICs with leads on two sides, such as the thin small outline package ("TSOP"), are predominately run in pick-and-place systems. In gravity-feed handlers, ICs are unloaded from plastic tubes or metal magazines at the top of the machine and flow through the system, from top to bottom, propelled along precision trackwork by the force of gravity. At the output of the handler, the ICs are sorted and reloaded into tubes or magazines for additional process steps or for shipment. In pick-and-place systems, ICs are picked from waffle-like trays, placed in precision transport boats or carriers and cycled through the system. ICs are sorted and reloaded into designated trays, based on test results.

As a significant portion of IC test is performed at hot and/or cold temperatures, many of Delta's test handlers are designed to provide a controlled test environment over the range of -60 degrees C to +160 degrees C. As semiconductor manufacturers continue to reduce the size of ICs while providing higher performance and speed, test handler manufacturers have faced the additional and substantial challenge of dissipating the large amounts of heat that are generated during the test process. This heat is capable of damaging or destroying the IC and can result in downgrading, when devices fail to operate at full specification during test. Device yields are extremely important and directly affect the profitability of the semiconductor manufacturer. In addition to temperature capability, other key factors in the design of test handlers are equipment speed, flexibility, parallel test capability and size.

Handlers are complex, electromechanical systems, which are used in high production environments and many are in service twenty-four hours per day, seven days a week. Customers continuously strive to increase the utilization of their production test equipment and expect high reliability from test handlers. The availability of trained technical support personnel is an important competitive factor in the marketplace. Delta deploys service engineers worldwide, often within customer production facilities, who work with customer personnel on continuous equipment improvement programs.

Equipment flexibility is important to semiconductor manufacturers and Delta's pick-and-place test handlers may be configured for a variety of semiconductor package types, through the use of tooling known as package dedication kits. Delta has a large installed base of pick-and-place test handlers, with over 2,500 systems installed at more than 130 locations worldwide.

The Delta Flex(TM), available in three models with various levels of automation, provides hot/cold test capability and broad versatility in IC package and media (tray or tube) handling. Through Delta's continuous product improvement process, the handler has been successfully adapted to meet the evolving needs of IC manufacturers.

The Model 2040, or RFS(TM), is a fast-index time pick-and-place handler, designed for high production applications. The handler's large environmental storage capacity enables uninterrupted operation in short test applications and parallel testing of up to eight devices. The RFS(TM) utilizes a patented contactor indexing mechanism to achieve an index time of approximately 500 milliseconds.

The Model 1688 is an ambient pick-and-place handler, which uses the same fast contactor indexing mechanism as the RFS(TM). The handler's small footprint, combined with high speed and dependable operation, make the 1688 a highly cost effective solution for test applications where environmental capability is not required, such as the testing of chips for certain wireless products.

Delta's Castle handlers incorporate an innovative vertical tray handling system which provides high input/output automation in an extremely small footprint. The system is available in both memory and logic configurations. Castle Mx32 provides parallel testing of up to thirty-two devices. Castle Lx offers the same small footprint as the Mx32.

Delta's Summit handler is designed to meet the requirements of manufacturers of advanced microprocessors and other high speed, high power devices. Summit utilizes chilled fluid to control test temperatures and dissipate the considerable heat generated by these devices during test.

Delta manufactures four lines of gravity-feed test handlers: the 717 Series, 1888 Series, 3000 Series and 4000 Series.

The 717 Series test handlers accommodate SOIC packages. The small dimensions and high-speed applications of the SOIC package require a handler with minimal transition distances, high performance contacting and automation features to reduce the need for operator intervention. The 717 ambient and tri-temperature handlers provide index times as low as 350 and 500 milliseconds, respectively. The systems can be adapted to handle many different package types.

The 1888 Series test handler is designed to process small outline packages used in wireless applications and is designed specifically for the demanding requirements of RF device testing.

The 3000 Series handlers are designed for a wide range of gravity-feed devices, including DIPs and SOICs. These handlers may be configured to test 1-32 devices in parallel. The 3000 Series handlers provide tri-temperature operation and input/output automation for increased productivity.

The 4000 Series handlers combine high speed SOIC handling with multi-site capability. The 4100 is a fully automated, high-speed handler designed for high-volume, ambient test applications.

Delta is developing a test handler using an emerging technology known as test-on-strip. In pick-and-place and gravity-feed handlers, ICs are processed in singulated format, after they are excised from leadframes or laminate substrates. In test-on-strip, the ICs are tested on the leadframe or substrate before singulation, and are excised in a subsequent operation. Test-on-strip may provide advantages in some applications, such as when testing very small ICs and when testing multiple ICs simultaneously (parallel testing). We believe that test-on-strip will develop into a measurable segment of the market over the next several years.

TELEVISION CAMERAS

Cohu's Electronics Division has been a designer, manufacturer and seller of closed circuit television ("CCTV") cameras and systems for over 45 years. The customer base for these products is broadly distributed between machine vision, traffic control and management, scientific imaging and security/surveillance markets. The current product line represents a comprehensive array of indoor and outdoor CCTV cameras as well as camera control equipment. To support its camera products, the Electronics Division offers a wide selection of accessories including monitors, lenses and camera test equipment.

OTHER BUSINESSES

FRL designs, manufactures and sells metal detectors and related underground detection devices for consumer and industrial markets. All products are sold under the Fisher M-Scope label. Industrial products include pipe and cable locators, water leak detectors, property marker locators and instruments for locating reinforcing bars in concrete. Consumer metal detectors include models for prospectors, relic hunters, sports divers and treasure hunters.

BMS designs, manufactures and sells microwave radio equipment, antenna systems and associated equipment. These products are used in the transmission of telemetry, data, video and audio signals. Customers include government test ranges, law enforcement agencies, unmanned air vehicle programs and television broadcasters.

CUSTOMERS

SEMICONDUCTOR EQUIPMENT

Our customers include semiconductor manufacturers and subcontractors ("test houses") that perform test services for IC manufacturers. Repeat sales to existing customers represent a significant portion of our sales in this business segment. We believe that our installed customer base represents a significant competitive advantage.

We rely on a limited number of customers for a substantial percentage of our net sales. In 2000 Intel, Texas Instruments and Motorola accounted for 26%, 12% and 10%, respectively, of our net sales. In 1999 Motorola and Texas Instruments accounted for 24% and 12%, respectively, of our net sales. In 1998 Motorola, Micron Technology and Intel accounted for 22%, 17% and 12%, respectively, of our net sales. The loss of or a significant reduction in orders by these or other significant customers, including reductions due to market, economic or competitive conditions or the outsourcing of final IC test to subcontractors that are not our customers would adversely affect our financial condition and results of operations.

TELEVISION CAMERAS AND OTHER BUSINESSES

Cohu's customer base in the television cameras industry segment is diverse and includes government agencies, original equipment manufacturers, contractors and value-added resellers throughout the world. No single customer of this segment accounted for 10% or more of our consolidated net sales in 2000, 1999 or 1998.

Our customer base in the other operating businesses (FRL and BMS) is also diverse and includes government agencies, original equipment manufacturers, contractors, distributors and consumers throughout the world. No single customer of either FRL or BMS accounted for 10% or more of our consolidated net sales in 2000, 1999 or 1998.

Contracts, including subcontract work, with U.S. Government agencies accounted for net sales of \$2.0 million, \$3.4 million and \$4.7 million in 2000, 1999 and 1998, respectively. Such contracts are frequently subject to termination provisions at the convenience of the Government.

MARKETING

We market our products worldwide through a combination of a direct sales force and independent sales representatives. In a geographic area where we believe there is sufficient sales potential, we maintain sales offices staffed with our own sales personnel. We maintain U.S. sales offices for the semiconductor equipment business in Santa Clara, California and Austin, Texas. In 1993, a foreign subsidiary was formed in Singapore to handle the sales and service requirements of semiconductor manufacturers located in Southeast Asia. In 1995 a branch of the Singapore sales and service subsidiary was opened in Taipei, Taiwan. Sales in Europe are derived primarily through independent sales representatives.

COMPETITION

The semiconductor equipment industry is intensely competitive and is characterized by rapid technological change and demanding worldwide service requirements. Significant competitive factors include product performance, price and reliability, customer support and installed base of products. While, based on 1999 market data, we believe we were the largest worldwide supplier of semiconductor test handling equipment, we face substantial competition in the U.S. and throughout the world. The Japanese and Korean markets for test handling equipment are large and represent a significant percentage of the worldwide market. During the last five years our sales to Japanese and Korean customers, who have historically purchased test handling equipment from Asian suppliers, have represented less than five percent of our total sales. Some of our current and potential competitors have substantially greater financial, engineering, manufacturing and customer support capabilities and offer more extensive product offerings than Cohu. To remain competitive we believe we will require significant financial resources to offer a broad range of products, maintain customer support and service centers worldwide and to invest in research and development of new products. Failure to introduce new products in a timely manner or the introduction by competitors of products with perceived or actual advantages could result in a loss of competitive position and reduced sales of existing products. No assurance can be given that we will continue to compete successfully in the U.S. or throughout the world.

Our products in the television cameras segment and other businesses are sold in highly competitive markets throughout the world, where competition is on the basis of price, product integration with customer requirements, service and product quality and reliability. Many of our competitors are divisions or segments of large, diversified companies with substantially greater financial, engineering, marketing, manufacturing and customer support capabilities than Cohu. No assurance can be given that we will continue to compete successfully in these businesses.

BACKLOG

The dollar amount of our order backlog as of December 31, 2000 was \$38.1 million (\$50.9 adjusted for "SAB 101" accounting change) as compared to \$72.9 million at December 31, 1999. Of these amounts, \$28.4 million (\$41.2 adjusted for SAB 101) (\$62.3 million in 1999) was in semiconductor test handling equipment, \$8.8 million (\$8.8 million also in 1999) was in television cameras and \$.9 million (\$1.8 million in 1999) from FRL and BMS. Virtually all backlog is expected to be shipped within the next twelve months. Due to the possibility of customer changes in delivery schedules, cancellation of orders, potential delays in product shipments and the inability to recognize revenue under new accounting requirements, our backlog as of any point in time may not be representative of actual sales in any future period. All orders are subject to cancellation or rescheduling by the customer with limited penalty. There is no significant seasonal aspect to the business of Cohu.

MANUFACTURING AND RAW MATERIALS

Our manufacturing operations are currently located in San Diego, California (BMS, Delta Design and the Electronics Division), Littleton, Massachusetts (Delta Design) and Los Banos, California (FRL). Many of the components and subassemblies we utilize are standard products, although certain items are made to our specifications. Certain components are obtained or are available from a limited number of suppliers. We seek to reduce our dependence on sole and limited source suppliers, however in some cases the complete or partial loss of certain of these sources could adversely affect our operations while we attempted to locate and qualify replacement suppliers.

PATENTS AND TRADEMARKS

Cohu protects its proprietary technology through various intellectual property laws. However, we believe that, due to the rapid pace of technological change in the semiconductor equipment industry, the successful manufacture and sale of our products generally depend upon our experience, technological know-how, manufacturing and marketing skills and speed of response to sales opportunities, rather than on the legal protection afforded to any one or more items of intellectual property, such as patents, trademarks, copyrights and trade secrets. In the absence of patent protection we may be vulnerable to competitors who attempt to copy or imitate our products or processes. We believe our intellectual property has value (and includes trademark rights and trade names other than Cohu), and we have in the past and will in the future take actions we deem appropriate to protect such property from misappropriation, there can be no assurance such actions will provide meaningful protection from competition. Protecting our intellectual property rights or defending against claims brought by other holders of such rights, either directly against Cohu or against customers we have agreed to indemnify, would likely be expensive and time consuming and could have a material adverse effect on our operations.

RESEARCH AND DEVELOPMENT

Certain of the markets served by Cohu, particularly the semiconductor equipment industry, are characterized by rapid technological change. Research and development activities are carried on in the various subsidiaries and division of Cohu and are directed toward development of new products and equipment, as well as enhancements to existing products and equipment. Total research and development expenses were \$32.6 million in 2000, \$20.5 million in 1999 and \$20.4 million in 1998. Total dollar expenditures have increased primarily due to increased spending for research and development in our semiconductor test handling equipment business. There was no significant customer-sponsored product development during these years.

We work closely with our key customers to make improvements to our existing products and in the development of new products. We expect to continue to invest heavily in research and development and must manage product transitions successfully as introductions of new products could adversely impact sales of existing products.

ENVIRONMENTAL LAWS

On occasion, Cohu is notified by local authorities of instances of noncompliance with local and/or state environmental laws. Compliance with federal, state and local laws which have been enacted or adopted regulating the discharge of materials into the environment or otherwise relating to the protection of the environment has not had a material effect and is not expected to have a material effect upon the capital expenditures, results of operations or competitive position of Cohu.

EMPLOYEES

At December 31, 2000, we had approximately 1,300 employees. Our workforce declined approximately twenty percent in the first quarter of 2001 due to reductions as a result of a downturn in the semiconductor equipment industry. None of these employees are covered by collective bargaining agreements. We believe that a great part of our future success will depend on our continued ability to attract and retain qualified employees. Competition for the services of certain personnel, particularly those with technical skills, is intense. There can be no assurance that Cohu will be able to attract, hire, assimilate and retain a sufficient number of qualified employees.

ITEM 2. PROPERTIES

Certain information concerning Cohu's principal properties at December 31, 2000 identified by business segment is set forth below:

LOCATION - - - - -	APPROXIMATE SQ. FOOTAGE - - - - -	OWNERSHIP - - - - -
Poway, CA (1)	338,000(5)	See below
Littleton, MA. (1)	102,000	Owned
San Diego, CA. (1)	52,000(5)	Owned
San Diego, CA. (1)	52,000(5)	Owned
San Diego, CA. (1)	52,000(5)	Owned
San Diego, CA. (1)	15,000	Leased
San Diego, CA. (2)	57,000	Leased
San Diego, CA. (3)	15,000	Leased
Los Banos, CA. (4)	23,000	Owned

(1) Semiconductor equipment

(2) Television cameras

(3) BMS

(4) FRL

(5) On October 27, 2000, Cohu entered into certain agreements with IPX Camelback, LLC ("IPX") under which it became obligated to acquire real property in Poway, California consisting of a 338,000 square-foot building and approximately twenty acres of land (the "Poway Facility"). The purchase price of \$21.3 million was loaned by Cohu to IPX to facilitate its purchase of the Poway Facility. Pursuant to a lease and real estate purchase option agreement, Cohu has the option to acquire the Poway Facility from IPX for an amount of \$21.3 million, as adjusted. If Cohu does not purchase the Poway Facility from IPX by July 3, 2001, IPX may sell the Poway Facility to another buyer. If the sale price received by IPX from another party is less than the outstanding loan balance between Cohu and IPX, Cohu is required to pay IPX the difference as liquidated damages. On October 27, 2000, Cohu entered into a six-month lease of the Poway Facility with IPX. A portion of the Poway Facility is currently occupied by an unrelated company under a two-year sublease agreement with Cohu. Cohu plans on selling the facilities occupied by Delta Design in San Diego, California, consisting of three buildings and related land, and twelve acres of land in Poway. Cohu plans on moving its corporate headquarters and the San Diego operations of Delta Design to the Poway Facility in 2001.

In addition to the locations listed above Cohu leases other properties for sales and service offices in various locations including Austin, Texas, Santa Clara, California, Singapore and Taipei, Taiwan. We believe our facilities are suitable for their respective uses and are adequate for our present needs.

ITEM 3. LEGAL PROCEEDINGS

Cohu is not presently a party to any material legal proceedings, other than ordinary routine litigation incidental to the business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES OF THE REGISTRANT

The following sets forth the names, ages, positions and offices held by all executive officers and significant employees of Cohu as of February 15, 2001. Executive Officers serve at the discretion of the Board of Directors, until their successors are appointed.

NAME - - - - -	AGE - - -	POSITION - - - - -
EXECUTIVE OFFICERS: - - - - -		
James A. Donahue	52	President & Chief Executive Officer, Director
John H. Allen	49	Vice President, Finance & Chief Financial Officer, Secretary

SIGNIFICANT EMPLOYEES:

James M. Brown	63	President, Cohu Electronics Division
Graham Bunney	45	President, BMS
Roger A. Cimino	53	President, FRL

Mr. Donahue has been employed by Delta Design since 1978 and has been President of Delta Design since May 1983. In May 1998, Mr. Donahue was promoted to President of the Cohu Semiconductor Equipment Group. In October 1999, Mr. Donahue was named to the position of President & Chief Operating Officer of Cohu, Inc. and was appointed to Cohu's Board of Directors. On June 30, 2000, Mr. Donahue was promoted to Chief Executive Officer.

Mr. Allen has been employed by Cohu since June 1995. He was Director of Finance until September 1995, became Vice President, Finance and Secretary in September 1995 and was appointed Chief Financial Officer in October 1995. Prior to joining Cohu, Mr. Allen held various positions with Ernst & Young LLP from 1976 until June 1995 and had been a partner with that firm since 1987.

Mr. Brown has been employed by the Cohu Electronics Division since 1980 and has been President of that division since 1983.

Mr. Bunney has been employed by BMS since 1985. Mr. Bunney was a project manager until June 1994, manufacturing manager from June 1994 through January 1996 and was promoted to President of BMS in January 1996.

Mr. Cimino has been employed by FRL since December 1998 and has been President of FRL since February 1999. Prior to joining FRL, Mr. Cimino held various positions with Cummins Engine Company, Inc. from 1989 until 1998 including Vice President and General Manager of the Cadec Systems subsidiary from 1993 to 1998.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) MARKET INFORMATION

Cohu, Inc. stock is traded on the Nasdaq Stock Market under the symbol "COHU".

The following table sets forth the high and low sales prices as reported on the Nasdaq Stock Market during the last two years.

	2000		1999	
	High	Low	High	Low
First Quarter	\$61.75	\$27.38	\$17.22	\$10.57
Second Quarter	50.00	26.19	18.13	11.25
Third Quarter	29.63	15.13	25.00	17.00
Fourth Quarter	17.88	12.63	31.75	16.50

(b) HOLDERS

At December 31, 2000, Cohu had approximately 13,000 total stockholders including 1,170 holders of record.

(c) DIVIDENDS

Cohu declared cash dividends at the rate of \$.05 per share per quarter in 2000 and \$.045 per share per quarter in 1999.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with Cohu's consolidated financial statements and notes thereto and with Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere herein. Amounts in 2000 have been impacted by a change in accounting for revenue recognition for certain semiconductor equipment sales. Pro forma amounts showing the retroactive impact of the change in accounting for periods prior to 2000 could not be reasonably estimated and have not been provided.

YEARS ENDED DECEMBER 31, ----- (in thousands, except per share data)	2000 -----	1999 -----	1998 -----	1997 -----	1996 -----
Net sales:					
Semiconductor equipment	\$ 250,548	\$ 175,140	\$ 136,323	\$ 152,668	\$ 126,236
Television cameras	27,111	21,330	21,001	23,553	22,298
	-----	-----	-----	-----	-----
Net sales for reportable segments	277,659	196,470	157,324	176,221	148,534
All other	11,905	12,310	14,187	11,535	10,819
	-----	-----	-----	-----	-----
Total consolidated net sales	\$ 289,564	\$ 208,780	\$ 171,511	\$ 187,756	\$ 159,353
	=====	=====	=====	=====	=====
Operating profit (loss):					
Semiconductor equipment	\$ 49,575	\$ 35,715	\$ 14,213	\$ 41,167	\$ 35,298
Television cameras	2,808	1,891	1,570	3,056	2,866
	-----	-----	-----	-----	-----
Operating profit for reportable segments	52,383	37,606	15,783	44,223	38,164
All other	(133)	(792)	(1,094)	159	145
	-----	-----	-----	-----	-----
Total consolidated operating profit	52,250	36,814	14,689	44,382	38,309
Other unallocated amounts:					
Corporate expenses	(1,654)	(1,871)	(955)	(1,337)	(1,273)
Interest income	5,731	4,271	3,469	2,999	1,960
Goodwill amortization and write-down	(289)	(288)	(1,157)	(157)	(157)
	-----	-----	-----	-----	-----
Income before income taxes	56,038	38,926	16,046	45,887	38,839
Provision for income taxes	19,000	13,000	4,400	16,700	14,600
	-----	-----	-----	-----	-----
Income before cumulative effect of accounting change	37,038	25,926	11,646	29,187	24,239
Cumulative effect of accounting change	(3,299)	--	--	--	--
	-----	-----	-----	-----	-----
Net income	\$ 33,739	\$ 25,926	\$ 11,646	\$ 29,187	\$ 24,239
	=====	=====	=====	=====	=====
Income per share before cumulative effect of accounting change:					
Basic	\$ 1.83	\$ 1.31	\$.60	\$ 1.55	\$ 1.31
Diluted	1.76	1.26	.58	1.47	1.25
Net income per share:					
Basic	1.67	1.31	.60	1.55	1.31
Diluted	1.60	1.26	.58	1.47	1.25
Cash dividends per share, paid quarterly	\$.20	\$.18	\$.16	\$.12	\$.10
Depreciation and amortization deducted in arriving at operating profit:					
Semiconductor equipment	\$ 2,454	\$ 2,303	\$ 1,953	\$ 1,321	\$ 833
Television cameras	374	468	424	420	410
All other	468	235	265	250	253
	-----	-----	-----	-----	-----
	3,296	3,006	2,642	1,991	1,496
Goodwill amortization	289	288	157	157	157
	-----	-----	-----	-----	-----
	\$ 3,585	\$ 3,294	\$ 2,799	\$ 2,148	\$ 1,653
	=====	=====	=====	=====	=====
Capital expenditures:					
Semiconductor equipment	\$ 24,021	\$ 1,828	\$ 1,356	\$ 3,513	\$ 3,586
Television cameras	155	452	162	341	294
All other	221	129	208	275	1,256
	-----	-----	-----	-----	-----
	\$ 24,397	\$ 2,409	\$ 1,726	\$ 4,129	\$ 5,136
	=====	=====	=====	=====	=====

AT DECEMBER 31, -----	2000 -----	1999 -----	1998 -----	1997 -----	1996 -----
Total assets by segment:					
Semiconductor equipment	\$110,612	\$115,671	\$ 50,754	\$ 79,978	\$ 39,981
Television cameras	10,951	11,758	8,728	10,696	10,573
	-----	-----	-----	-----	-----
Total assets for reportable segments	121,563	127,429	59,482	90,674	50,554
All other operating segments	6,477	5,419	7,537	8,307	7,449
Corporate	103,455	87,885	95,212	63,911	59,923
	-----	-----	-----	-----	-----
Total consolidated assets	\$231,495	\$220,733	\$162,231	\$162,892	\$117,926
	=====	=====	=====	=====	=====
Working capital	\$160,583	\$146,050	\$120,143	\$106,201	\$ 78,003
Stockholders' equity	197,840	162,356	137,463	126,211	96,272

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Cohu's primary business activity involves the development, manufacture, marketing and servicing of test handling equipment for the global semiconductor industry. Demand for Cohu's products can change significantly from period to period as a result of numerous factors including, but not limited to, changes in global economic conditions, supply and demand for semiconductors, changes in semiconductor manufacturing capacity and processes and competitive product offerings. Due to these and other factors, Cohu's results of operations for the period 1998 to 2000 may not be indicative of future operating results. Certain matters discussed below, including expectations of market conditions, challenges and plans, are forward-looking statements that are subject to the risks and uncertainties noted herein. Such risks and uncertainties could cause actual results to differ materially from those projected.

2000 COMPARED TO 1999

Net sales increased 39% to \$289.6 million in 2000 compared to net sales of \$208.8 million in 1999. Sales of semiconductor equipment in 2000 increased 43% compared to 1999 and accounted for 87% of consolidated net sales in 2000 versus 84% in 1999. In 2000 sales of television cameras accounted for 9% of sales while the combined sales of metal detection and microwave radio equipment contributed 4% of sales. Export sales accounted for 63% of net sales in 2000 and 1999.

In the fourth quarter of 2000, Cohu changed its method of accounting for revenue recognition to comply with SEC Staff Accounting Bulletin No. 101 ("SAB 101"). In accordance with SAB 101, the new method of accounting has been applied retroactively to transactions that occurred prior to 2000. The cumulative effect adjustment of the change in accounting on prior years through December 31, 1999 was a reduction to income of \$3.3 million (after credit for income taxes of \$1.7 million) and is included in income for the year ended December 31, 2000. Revenue amounting to \$9.0 million that was previously recognized and included in the cumulative effect adjustment at December 31, 1999 was recognized in 2000. The discussion below compares 2000 results of operations adjusted for the impact of SAB 101 to 1999 results that do not reflect the application of SAB 101.

Gross margin as a percentage of net sales decreased to 38.9% in 2000 versus 39.3% in 1999. Within the semiconductor equipment segment, margins decreased in 2000 primarily as a result of changes in product mix, increased electricity costs and increased provisions for excess inventory offset by the impact of increased business volume. Research and development expense as a percentage of net sales was 11.2% in 2000 compared to 9.8% in 1999, increasing in absolute dollars from \$20.5 million in 1999 to \$32.6 million in 2000. The increase in research and development expense was the result of new product development initiatives in the semiconductor equipment business. Selling, general and administrative expense as a percentage of net sales decreased to 10.3% in 2000 from 12.9% in 1999 primarily as a result of increased business volume. Interest income increased to \$5.7 million in 2000 from \$4.3 million in 1999 primarily as a result of increases in average cash and investments and interest rates. The provision for income taxes expressed as a percentage of pretax income was 33.9% in 2000 versus 33.4% in 1999. The provisions are less than the U.S. federal statutory rate due to foreign sales corporation benefits.

1999 COMPARED TO 1998

Net sales increased 22% to \$208.8 million in 1999 compared to net sales of \$171.5 million in 1998. Sales of semiconductor equipment in 1999 increased 28% compared to 1998 and accounted for 84% of consolidated net sales in 1999 versus 80% in 1998. In 1999, sales of television cameras accounted for 10% of sales while the combined sales of metal detection and microwave radio equipment contributed 6% of sales. Export sales accounted for 63% of net sales in 1999 compared to 44% in 1998.

During 1999, we shipped a significant number of our new Summit test handlers. At December 31, 1999 the Summit handlers had not met certain customer acceptance requirements and revenue on these shipments was recognized in 2000 upon customer acceptance. Customer payments received on these shipments totaling approximately \$18.5 million at December 31, 1999 were recorded as customer advances in the consolidated balance sheet.

Gross margin as a percentage of net sales increased to 39.3% in 1999 versus 32.1% in 1998. Within the semiconductor equipment segment, margins increased in 1999 primarily as a result of changes in product mix and increased business volume. The gross margin in 1998 was adversely impacted by lower margins on sales of our Enterprise test handlers and provisions for excess and obsolete inventories. Research and development expense as a percentage of net sales was 9.8% in 1999 compared to 11.9% in 1998, increasing in absolute dollars from \$20.4 million in 1998 to \$20.5 million in 1999. Selling, general and administrative expense as a percentage of net sales increased to 12.9% in 1999 from 12.3% in 1998 primarily as a result of increases in bad debt, commission and incentive compensation expense. Interest income increased to \$4.3 million in 1999 from \$3.5 million in 1998 primarily as a result of an increase in average cash and investments. The provision for income taxes expressed as a percentage of pretax income was 33.4% in 1999 vs. 27.4% in 1998. The effective tax rate in 1998 was favorably affected by the settlement of tax examinations for earlier years.

LIQUIDITY AND CAPITAL RESOURCES

Cohu's net cash flows provided from operating activities in 2000 totaled \$35.7 million. The major components of cash flows provided from operating activities were net income of \$33.7 million and decreases in accounts receivable and inventories of \$15.1 million and \$9.6 million, respectively, offset by decreases in accounts payable and customer advances of \$5.4 million and \$17.7 million, respectively. The decreases in accounts payable, accounts receivable and inventories were attributable to the decrease in sales volume between the fourth quarter of 1999 and the fourth quarter of 2000. Net cash used for investing activities was \$12.2 million in 2000. Cash used for investing activities included a decrease in short-term investments of \$12.2 million and additions to property, plant and equipment totaling \$24.4 million. Net cash used for financing activities was \$3.3 million. Cash used for financing activities included \$4.0 million for the payment of dividends offset by \$3.8 million received from the issuance of stock under our stock option and purchase plans. We had \$10 million available under our bank line of credit and working capital of \$160.6 million at December 31, 2000. We anticipate that present working capital will be sufficient to meet our 2001 operating requirements including any capital expenditures during 2001.

BUSINESS AND MARKET RISKS

THE SEMICONDUCTOR INDUSTRY WE SERVE IS HIGHLY VOLATILE AND UNPREDICTABLE.

Cohu's 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 manufactured and marketed by Cohu. We anticipate that the markets for newer generations of semiconductors and semiconductor equipment may also be subject to similar cycles and severe downturns, such as those experienced in 1996, 1998 and late 2000. Reductions in capital equipment investment by semiconductor manufacturers and test houses 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 inventory write-offs.

NEW ACCOUNTING RULES MAY IMPACT THE TIMING OF REVENUE RECOGNITION AND OPERATING RESULTS.

In December 1999, the staff of the Securities and Exchange Commission issued SAB 101, Revenue Recognition in Financial Statements. Cohu adopted SAB 101 in the fourth quarter of 2000 and, as required, changed its method of revenue recognition in certain instances. As a result of this change, a cumulative effect adjustment was recorded in Cohu's statement of income for the year ended December 31, 2000. Further changes in revenue recognition practices resulting from initiatives by the FASB are possible. Such changes could result in additional adjustments to our results of operations that may be reflected in future periods.

SEMICONDUCTOR EQUIPMENT IS SUBJECT TO RAPID TECHNOLOGICAL CHANGE, PRODUCT INTRODUCTIONS AND TRANSITIONS 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 could adversely impact sales or margins of existing products. In addition, the introduction of new products, by Cohu or by our competitors, the concentration of our revenues in a limited number of large customers, the migration to new IC test handling methodologies and the custom nature of our inventory parts increases the risk that our established products and related inventory may become obsolete resulting in greater excess and obsolete inventory exposure. This increased exposure resulted in increased excess inventory reserve requirements during the third and fourth quarter of 2000. Future inventory write-offs and increased 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 test handling equipment is an inherently complex process that involves a number of risks and uncertainties. These risks include potential problems in meeting customer performance requirements, integration of the test handler 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 test handling equipment is heavily influenced by changes in integrated circuit (IC) back-end manufacturing processes and IC package design changes. We believe that the rate of change in such processes and IC packages is accelerating. As a result of these changes and other factors, assessing the market potential and commercial viability of new test handling equipment is extremely difficult and subject to a great deal of risk. In addition, not all IC manufacturers employ the same manufacturing processes. Differences in such processes make it difficult to design standard semiconductor test handler products that are capable of achieving broad market acceptance. As a result we might not accurately assess the semiconductor industry's future test handler requirements and as a result 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 handler 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 test handlers. In addition, our after sale support and warranty costs have been significantly higher with new test handlers 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.

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. Future competition may include companies that do not currently supply test handlers. While, based on 1999 market data, we believe we were the largest worldwide supplier of semiconductor test handling equipment, we face substantial competition in the U.S. and throughout the world. The Japanese and Korean markets for test handling equipment are large and represent a significant percentage of the worldwide market. During the last five years we have had limited sales to Japanese and Korean customers who have historically purchased test handling equipment from Asian suppliers. Some of our competitors have substantially greater financial, engineering, manufacturing and customer support capabilities and offer more extensive product offerings than Cohu. In addition, there are smaller, emerging semiconductor equipment companies that provide or may provide innovative technology incorporated in products that may compete favorably against those of Cohu. We expect our competitors to continue to improve the design and performance of their current products and to 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 of Cohu or our competitors to use certain intellectual property or technology could result in a loss of our competitive position and reduced sales or margins on our existing products.

A LIMITED NUMBER OF CUSTOMERS ACCOUNT FOR A SUBSTANTIAL PERCENTAGE OF OUR NET SALES.

We rely on a limited number of customers for a substantial percentage of our net sales. In 2000, four customers of the semiconductor equipment segment accounted for 50% (46% in 1999 and 60% in 1998) of our net sales. The loss of or a significant reduction in orders by these or other significant customers as a result of competitive products, market conditions, outsourcing final IC test to test houses that are not our customers or other factors, would adversely impact our financial condition and results of operations. Furthermore, the concentration of our revenues in a limited number of large customers may cause significant fluctuations in our future annual and quarterly operating results.

OUR BACKLOG IS LIMITED AND MAY NOT ACCURATELY REFLECT FUTURE BUSINESS ACTIVITY.

Our order backlog has historically represented approximately three months of revenue and as a result our visibility over future business activity is limited. Due to the possibility of customer changes in delivery schedules, cancellation of orders, potential delays in product shipments, difficulties in obtaining inventory parts from suppliers, failure to satisfy customer acceptance requirements and the inability to recognize revenue under new accounting requirements, our backlog as of any point in time may not be representative of actual sales in any future period. Furthermore, all orders are subject to cancellation or rescheduling by the customer with limited penalty. A reduction in backlog during any particular period, such as occurred in the fourth quarter of 2000 where the Company's backlog declined to \$38.1 million at December 31, 2000 from \$72.9 at December 31, 1999, could have a material adverse effect on our business, financial condition and results of operations.

THE CYCLICAL NATURE OF THE SEMICONDUCTOR INDUSTRY PLACES ENORMOUS DEMANDS ON OUR OPERATIONS AND INFRASTRUCTURE.

The semiconductor equipment industry is characterized by dramatic and sometimes volatile changes in demand for its products. Changes in product demand result from a number of factors including the semiconductor industry's ever changing and unpredictable capacity requirements and changes in IC design and packaging. Sudden changes in demand for semiconductor equipment have a significant impact on our operations. In response to a severe industry downturn in 1998, we reduced our total workforce by approximately 40%. During 1999, we increased our workforce by more than 50% as business conditions in the semiconductor equipment industry and our order backlog improved. In the first quarter of 2001, we reduced our workforce approximately 20% as a result of a downturn in the semiconductor equipment industry. Such radical changes in workforce levels place enormous demands on our 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. We have in the past and may in the future experience difficulties, particularly in manufacturing, in training the large number of additions to our workforce. In addition, competition for the employment services of certain personnel, particularly those with technical skills, is intense. 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 and in improved and expanded facilities. 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.

WE HAVE EXPERIENCED A SIGNIFICANT DECLINE IN GRAVITY-FEED TEST HANDLER SALES TO DRAM CUSTOMERS.

Sales of IC test handlers used in DRAM testing represented a significant percentage of Cohu's total semiconductor equipment related revenue during the period 1994 through 1998. Due to changes in IC package technology, gravity-feed handlers are no longer suitable for handling many types of DRAMs. As a result, we have seen a significant decline in sales of our gravity-feed test handler products. IC handlers used in DRAM applications account for a significant portion of the worldwide IC handler market. If we are unable to successfully develop and market new products or enhancements to existing products for DRAM applications our results of operations will continue to be adversely impacted.

WE ARE EXPOSED TO THE RISKS OF OPERATING A GLOBAL BUSINESS.

Cohu has operations located in various parts of the world to support our sales and services to the global semiconductor industry. Managing geographically dispersed operations presents difficult challenges associated with, among other things, organizational alignment and infrastructure, communications and information technology, inventory control, customer relationship management and cultural diversities. In addition, maintaining these geographically dispersed locations is expensive. We may not be able to manage our multiple operations in a cost effective and efficient manner. If we are unsuccessful in managing such operations effectively, our business and results of operations will be adversely affected.

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, Cohu has 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.

WE ARE EXPOSED TO THE RISK THAT THIRD PARTIES MAY VIOLATE OUR PROPRIETARY RIGHTS OR ACCUSE US OF INFRINGING UPON THEIR PROPRIETARY RIGHTS.

Cohu relies 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 be challenged, invalidated or circumvented, and these rights may not provide significant competitive advantages. 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 Cohu to incur significant expenses. In the event of a successful claim of infringement against Cohu 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 INSTABILITY AND WE COMPETE AGAINST A NUMBER OF ASIAN TEST HANDLING EQUIPMENT SUPPLIERS.

During 2000, 63% of our total net sales were exported to foreign countries, including 71% of the sales in the semiconductor equipment segment. The majority of our export sales are made to destinations in Asia. Instability in global economic markets, particularly in Asia, may adversely impact the demand for capital equipment, including equipment of the type manufactured and marketed by Cohu. In addition, we face intense competition from a number of Asian suppliers that have certain advantages over U.S. suppliers, including Cohu. 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.

OUR NON SEMICONDUCTOR EQUIPMENT BUSINESSES HAVE EXPERIENCED LITTLE OR NO GROWTH OVER THE LAST FIVE YEARS.

We develop, manufacture and sell products used in closed circuit television, metal detection and microwave radio applications. These products are sold in highly competitive markets and many competitors are segments of large, diversified companies with substantially greater financial, engineering, marketing, manufacturing and customer support capabilities than Cohu. In addition, there are smaller companies that provide or may provide innovative technology incorporated in products that may compete favorably against those of Cohu. We have seen a decline in the operating results of some of these businesses over the last several years and the future prospects for certain of these businesses remain uncertain. We may not be able to continue to compete successfully in these businesses.

WE HAVE EXPERIENCED SIGNIFICANT INCREASES IN OUR ELECTRICITY COSTS AND WE MAY BE EXPOSED TO POWER SHORTAGES.

Cohu is a significant user of electricity. The state of California recently deregulated the price of electricity. Deregulation combined with increases in the cost of generating electricity have resulted in a significant rise in Cohu's electricity costs. Market forecasts predict significant increases in electricity prices in the future that will result in increased costs to Cohu that could have an adverse impact on our results of operations. In addition, we expect our electricity costs to increase as a result of moving certain of our San Diego operations to a significantly larger facility in 2001. Power shortages in California and the potential negative impact of deregulation and increased electricity costs could have a material adverse impact on our business, results of operations and financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK.

At December 31, 2000, our investment portfolio includes fixed-income securities with a fair value of approximately \$74.9 million. These securities are subject to interest rate risk and will decline in value if interest rates increase. Due to the relatively short duration of our investment portfolio, an immediate one percent change in interest rates would have no material impact on our financial condition or results of operations.

FOREIGN CURRENCY EXCHANGE RISK.

We generally conduct business, including sales to foreign customers, in U.S. dollars and as a result have limited foreign currency exchange rate risk. Monetary assets and liabilities of Cohu's foreign operations are not significant. The effect of an immediate ten percent change in foreign exchange rates would not have a material impact on our financial condition or results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is included in Part IV Item 14(a).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding directors of Cohu is set forth under "Election Of Directors" in Cohu's Proxy Statement for the 2001 Annual Meeting of Stockholders ("the Proxy Statement"), which information is incorporated herein by reference. Information concerning the executive officers of Cohu is included in Part I of this report. Information in the Proxy Statement under "Section 16(a) Beneficial Ownership Reporting Compliance" is also incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding Cohu's compensation of its executive officers and directors and certain other information is set forth in the Proxy Statement under "Board Of Directors And Committees", "Compensation Of Executive Officers And Other Information" and "Compensation Committee Interlocks And Insider Participation" and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management is set forth in the Proxy Statement under "Security Ownership Of Certain Beneficial Owners And Management" and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

1. Financial Statements

The following Consolidated Financial Statements of Cohu, Inc., including the report thereon of Ernst & Young LLP, are included in this Annual Report on Form 10-K beginning on page 17:

Description -----	Form 10-K Page Number -----
Consolidated balance sheets at December 31, 2000 and 1999	17
Consolidated statements of income for each of the three years in the period ended December 31, 2000	18
Consolidated statements of stockholders' equity for each of the three years in the period ended December 31, 2000	19
Consolidated statements of cash flows for each of the three years in the period ended December 31, 2000	20
Notes to consolidated financial statements	21-27
Report of Ernst & Young LLP, Independent Auditors	28

2. Financial Statement Schedules

Schedule II -- Valuation and Qualifying Accounts	32
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All other financial statement schedules have been omitted because the required information is not applicable or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

3. Exhibits

The exhibits listed under Item 14.(c) hereof are filed with, or incorporated by reference into, this Annual Report on Form 10-K.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by Cohu during the fourth quarter of the year ended December 31, 2000.

COHU, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except par value)

	December 31, 2000	1999
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 79,119	\$ 55,954
Short-term investments	13,468	25,646
Accounts receivable less allowance for doubtful accounts of \$2,227 in 2000 and \$1,981 in 1999	37,164	52,262
Inventories:		
Raw materials and purchased parts	22,120	21,257
Work in process	17,133	18,768
Finished goods	6,786	15,621
	-----	-----
Deferred income taxes	46,039	55,646
Other current assets	13,781	11,231
	3,145	2,030
	-----	-----
Total current assets	192,716	202,769
Property, plant and equipment, at cost:		
Land and land improvements	2,501	2,501
Buildings and building improvements	12,795	12,507
Machinery and equipment	22,138	19,849
Land and building to be acquired	21,288	--
	-----	-----
	58,722	34,857
Less accumulated depreciation and amortization	20,605	17,841
	-----	-----
Net property, plant and equipment	38,117	17,016
Goodwill, net of accumulated amortization of \$2,549 in 2000 and \$2,260 in 1999	578	867
Other assets	84	81
	-----	-----
	\$231,495	\$220,733
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,604	\$ 13,042
Income taxes payable	--	6,778
Accrued compensation and benefits	8,955	7,954
Accrued warranty	4,916	5,738
Customer advances	834	18,530
Deferred profit	5,960	--
Other accrued liabilities	3,864	4,677
	-----	-----
Total current liabilities	32,133	56,719
Accrued retiree medical benefits	1,058	984
Deferred income taxes	464	674
Commitments		
Stockholders' equity:		
Preferred stock, \$1 par value; 1,000 shares authorized, none issued	--	--
Common stock, \$1 par value; 60,000 shares authorized, 20,313 shares issued and outstanding in 2000 and 19,938 shares in 1999	20,313	19,938
Paid in excess of par	8,957	3,539
Retained earnings	168,570	138,879
	-----	-----
Total stockholders' equity	197,840	162,356
	-----	-----
	\$231,495	\$220,733
	=====	=====

See accompanying notes.

COHU, INC.
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

	Years ended December 31,		
	2000	1999	1998
	-----	-----	-----
Net sales	\$ 289,564	\$208,780	\$171,511
Cost and expenses:			
Cost of sales	176,961	126,712	116,427
Research and development	32,562	20,534	20,400
Selling, general and administrative	29,734	26,879	21,107
Goodwill write-down	--	--	1,000
	-----	-----	-----
	239,257	174,125	158,934
	-----	-----	-----
Income from operations	50,307	34,655	12,577
Interest income	5,731	4,271	3,469
	-----	-----	-----
Income before income taxes	56,038	38,926	16,046
Provision for income taxes	19,000	13,000	4,400
	-----	-----	-----
Income before cumulative effect of change in accounting principle	37,038	25,926	11,646
Cumulative effect of change in accounting principle, net of \$1,700 tax benefit	(3,299)	--	--
	-----	-----	-----
Net income	\$ 33,739	\$ 25,926	\$ 11,646
	=====	=====	=====
Basic earnings per share:			
Income before cumulative effect of change in accounting principle	\$ 1.83	\$ 1.31	\$.60
Cumulative effect of change in accounting principle	(.16)	--	--
	-----	-----	-----
Net income	\$ 1.67	\$ 1.31	\$.60
	=====	=====	=====
Weighted average shares used in basic per share calculation	20,197	19,763	19,452
	=====	=====	=====
Diluted earnings per share:			
Income before cumulative effect of change in accounting principle	\$ 1.76	\$ 1.26	\$.58
Cumulative effect of change in accounting principle	(.16)	--	--
	=====	=====	=====
Net income	\$ 1.60	\$ 1.26	\$.58
	=====	=====	=====
Weighted average shares used in diluted per share calculation	21,048	20,502	19,940
	=====	=====	=====

See accompanying notes.

COHU, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except par value and per share amounts)

	Years ended December 31, 2000, 1999 and 1998			
	Common stock \$1 par value	Paid in excess of par	Retained earnings	Total
Balance at December 31, 1997	\$ 9,549	\$ 8,677	\$ 107,985	\$ 126,211
Cash dividends - \$.16 per share	--	--	(3,116)	(3,116)
Repurchase and retirement of stock	(1)	(27)	--	(28)
Exercise of stock options	195	1,452	--	1,647
Shares issued under employee stock purchase plan	36	667	--	703
Tax benefit from stock options	--	400	--	400
Net income	--	--	11,646	11,646
Balance at December 31, 1998	9,779	11,169	116,515	137,463
Two-for-one stock split	9,779	(9,779)	--	--
Cash dividends - \$.18 per share	--	--	(3,562)	(3,562)
Repurchase and retirement of stock	(23)	(349)	--	(372)
Exercise of stock options	328	1,503	--	1,831
Shares issued under employee stock purchase plan	75	583	--	658
Tax benefit from stock options	--	412	--	412
Net income	--	--	25,926	25,926
Balance at December 31, 1999	19,938	3,539	138,879	162,356
Cash dividends - \$.20 per share	--	--	(4,048)	(4,048)
Repurchase and retirement of stock	(3)	(137)	--	(140)
Exercise of stock options	292	2,368	--	2,660
Shares issued under employee stock purchase plan	86	1,150	--	1,236
Tax benefit from stock options	--	2,037	--	2,037
Net income	--	--	33,739	33,739
Balance at December 31, 2000	\$ 20,313	\$ 8,957	\$ 168,570	\$ 197,840

See accompanying notes.

COHU, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years ended December 31,		
	2000	1999	1998
Cash flows from operating activities:	-----	-----	-----
Net income	\$ 33,739	\$ 25,926	\$ 11,646
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	3,585	3,294	2,799
Loss on asset write-downs and disposals	--	--	420
Goodwill write-down	--	--	1,000
Deferred income taxes	(2,760)	(600)	(636)
Increase (decrease) in accrued retiree medical benefits	74	(9)	(11)
Tax benefit from stock options	2,037	412	400
Changes in current assets and liabilities:			
Accounts receivable	15,098	(33,462)	13,134
Inventories	9,607	(29,769)	19,022
Other current assets	(1,115)	(489)	(63)
Accounts payable	(5,438)	10,026	(13,150)
Income taxes payable	(6,778)	3,708	(351)
Customer advances	(17,696)	14,552	3,978
Deferred profit	5,960	--	--
Accrued compensation, warranty and other liabilities	(634)	5,178	(2,551)
	-----	-----	-----
Net cash provided from (used for) operating activities	35,679	(1,233)	35,637
Cash flows from investing activities:			
Purchases of short-term investments	(10,207)	(22,429)	(21,280)
Maturities of short-term investments	22,385	9,040	22,837
Purchases of property, plant and equipment	(24,397)	(2,409)	(1,726)
Other assets	(3)	(16)	36
	-----	-----	-----
Net cash used for investing activities	(12,222)	(15,814)	(133)
Cash flows from financing activities:			
Issuance of stock, net	3,756	2,117	2,322
Dividends paid	(4,048)	(3,562)	(3,116)
	-----	-----	-----
Net cash used for financing activities	(292)	(1,445)	(794)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	23,165	(18,492)	34,710
Cash and cash equivalents at beginning of year	55,954	74,446	39,736
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 79,119	\$ 55,954	\$ 74,446
	-----	-----	-----
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Income taxes, net of refunds	\$ 25,321	\$ 9,480	\$ 5,191

See accompanying notes.

COHU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRESENTATION - The consolidated financial statements include the accounts of Cohu, Inc. and its wholly-owned subsidiaries (the "Company" or "Cohu"). All significant intercompany accounts and balances have been eliminated in consolidation.

INVESTMENTS - Highly liquid investments with insignificant interest rate risk and original maturities of three months or less are classified as cash and cash equivalents. Investments with maturities greater than three months are classified as short-term investments. All of the Company's investments are classified as available-for-sale and are reported at fair value with unrealized gains and losses, net of tax, recorded in stockholders' equity. Gross unrealized gains and losses were not significant at December 31, 2000 and 1999. The Company manages its cash equivalents and short-term investments as a single portfolio of highly marketable securities, all of which are intended to be available for the Company's current operations.

CONCENTRATION OF CREDIT RISK - Financial instruments that potentially subject the Company to significant credit risk consist principally of cash equivalents, short-term investments and trade accounts receivable. The Company invests in a variety of financial instruments and by policy limits the amount of credit exposure with any one issuer. The Company's customers include semiconductor manufacturers and others located throughout the world. The Company performs ongoing credit evaluations of its customers and generally requires no collateral.

INVENTORIES - Inventories are stated at the lower of cost, determined on a current average or first-in, first-out basis, or market.

LONG-LIVED ASSETS - Depreciation and amortization of property, plant and equipment is calculated principally on the straight-line method based on estimated useful lives of five to forty years for buildings and building improvements and three to ten years for machinery and equipment. Through December 31, 1998, goodwill was amortized on the straight-line method over twenty years. Commencing January 1999, goodwill is being amortized over four years. The carrying amount and useful life of long-lived assets are reviewed if facts and circumstances suggest there has been impairment. If this review indicates that long-lived assets will not be recoverable, as determined based on estimated undiscounted cash flows, the carrying amount and useful life are adjusted as appropriate.

EARNINGS PER SHARE - Basic earnings per share are computed using the weighted average number of common shares outstanding during each period. Diluted earnings per share include the dilutive effect of common shares potentially issuable upon the exercise of stock options. In 2000, 1999 and 1998 options to purchase 114,000, 100,000 and 476,000 shares, respectively, of common stock at average exercise prices of \$27.28, \$18.71 and \$16.81 respectively, were excluded from the diluted computation. The following table reconciles the denominators used in computing basic and diluted earnings per share:

	2000	1999	1998
	-----	-----	-----
(in thousands)			
Weighted average common shares outstanding	20,197	19,763	19,452
Effect of dilutive stock options	851	739	488
	-----	-----	-----
	21,048	20,502	19,940
	=====	=====	=====

REVENUE RECOGNITION - Effective January 1, 2000, the Company changed its method of revenue recognition for certain semiconductor equipment sales to comply with SEC Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements ("SAB 101"). See Note 2, Change in Accounting for Revenue Recognition. SAB 101 sets forth guidelines on the timing of revenue recognition based upon factors such as passage of title, installation, payment and customer acceptance. Prior to SAB 101, the Company generally recognized revenue upon shipment once customer acceptance provisions had been met. Revenue for established products that have previously satisfied customer acceptance requirements and that provide for full payment tied to shipment is generally recognized upon shipment and passage of title. Revenue for products that have not previously satisfied customer acceptance requirements or from sales where customer payment dates are not determinable are recognized upon customer acceptance. In certain instances, customer payment terms may provide that a minority portion of the equipment purchase price be paid only upon customer acceptance. In those situations, the portion of the purchase price related to customer acceptance is generally recognized upon customer acceptance with the majority portion of revenue and the entire product cost recognized upon shipment and passage of title. Equipment installation is typically provided by the Company and is generally not billed separately to

the customer. The estimated fair value of installation related revenue is recognized in the period the installation is performed. Service revenue is recognized ratably over the period of the related contract. The gross profit on sales that are not recognized is generally recorded as deferred

COHU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

profit in the consolidated balance sheet. In certain instances where revenue and the related receivable are not recognized, customer payments received are recorded as customer advances in the consolidated balance sheet. Product warranty costs are accrued in the period sales are recognized.

STOCK BASED COMPENSATION - The Company applies APB Opinion No. 25 and related interpretations in accounting for its stock option and employee stock purchase plans.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions about the future that affect the amounts reported in the consolidated financial statements. These estimates include assessing the collectibility of accounts receivable, usage and recoverability of inventory and long-lived assets and incurrence of warranty costs. Actual results could differ from those estimates.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES - Cohu will adopt FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities ("Statement No. 133"), at the beginning of 2001. Statement No. 133 will require, among other things, that all derivatives be recognized in the balance sheet at fair value and special accounting for hedging activities that meet certain criteria. The Company generally does not hold derivative instruments or engage in hedging activities and as a result the adoption of Statement No. 133 is not expected to have a material effect on the Company's financial condition or results of operations.

2. CHANGE IN ACCOUNTING FOR REVENUE RECOGNITION

In the fourth quarter of 2000, the Company changed its method of recognizing revenue from certain semiconductor equipment sales. The new method of accounting was adopted to comply with SAB 101. In accordance with SAB 101 the new method of accounting has been applied retroactively to transactions that occurred prior to 2000. The cumulative effect adjustment of the change in accounting on prior years through December 31, 1999 was a reduction to income of \$3,299,000 (after credit for income taxes of \$1,700,000) and is included in income for the year ended December 31, 2000. Revenue amounting to \$9,002,000 that was previously recognized and included in the cumulative effect adjustment at December 31, 1999 was recognized during 2000. The effect of the change on the three months ended December 31, 2000 was to decrease net income \$230,000 (\$.01 per diluted share). The effect of the change on the year ended December 31, 2000 was to decrease income before cumulative effect of change in accounting principle by \$661,000 (\$.03 per diluted share). Pro forma amounts showing the retroactive application of SAB 101 for periods prior to 2000 could not be reasonably estimated and have not been provided. The effect of the change on the first three quarters of 2000 is as follows:

Three months ended (unaudited) ----- (in thousands)	March 31 -----	June 30 -----	September 30 -----
Revenue as originally reported	\$ 72,467	\$ 86,723	\$ 77,216
Effect of change in revenue recognition	265	38	(3,028)
Revenue as restated	\$ 72,732 =====	\$ 86,761 =====	\$ 74,188 =====
Gross profit as originally reported	\$ 27,724	\$ 35,343	\$ 30,623
Effect of change in revenue recognition	806	(282)	(1,135)
Gross profit as restated	\$ 28,530 =====	\$ 35,061 =====	\$ 29,488 =====
Net income as originally reported	\$ 9,923	\$ 13,114	\$ 9,812
Effect of change in revenue recognition	530	(186)	(775)
Income before cumulative effect of change in revenue recognition	10,453	12,928	9,037
Cumulative effect on prior years (to December 31, 1999) of changing to a different revenue recognition method	(3,299)	--	--
Net income as restated	\$ 7,154 =====	\$ 12,928 =====	\$ 9,037 =====

COHU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Three months ended (unaudited)	March 31	June 30	September 30
Per share amounts (diluted):			
Net income as originally reported	\$.47	\$.62	\$.47
Effect of change in revenue recognition	.02	(.01)	(.04)
	----	----	----
Income before cumulative effect of change in revenue recognition	.49	.61	.43
Cumulative effect on prior years (to December 31, 1999) of changing to a different revenue recognition method	(.16)	--	--
	----	----	----
Net income as restated	\$.33	\$.61	\$.43
	=====	=====	=====

3. REAL ESTATE TRANSACTIONS

On October 27, 2000, the Company entered into certain agreements with IPX Camelback, LLC ("IPX") under which it became obligated to acquire real property in Poway, California consisting of a 338,000 square-foot building and approximately twenty acres of land (the "Poway Facility"). The purchase price of \$21.3 million was loaned by the Company to IPX to facilitate its purchase of the Poway Facility. Pursuant to a lease and real estate purchase option agreement, Cohu has the option to acquire the Poway Facility from IPX for an amount of \$21.3 million, as adjusted. The purchase price will be allocated to land and building based on their respective fair values estimated at \$15.3 million for building and improvements and \$6.0 million for land. If the Company does not purchase the Poway Facility from IPX by July 3, 2001, IPX may sell the Poway Facility to another buyer. If the sale price received by IPX from another party is less than the outstanding loan balance between the Company and IPX, Cohu is required to pay IPX the difference as liquidated damages. On October 27, 2000, Cohu entered into a six-month lease of the Poway Facility with IPX. A portion of the Poway Facility is currently occupied by an unrelated company under a two-year sublease agreement with Cohu. Cohu plans on selling the facilities occupied by its Delta Design subsidiary in San Diego, California, consisting of three buildings (net book value of \$3.8 million at December 31, 2000) and related land (net book value of \$120,000 at December 31, 2000) and twelve acres of land in Poway (net book value of \$963,000 at December 31, 2000). The Company plans on moving its corporate headquarters and the San Diego operations of its Delta Design subsidiary to the Poway Facility in 2001.

4. 1998 FOURTH QUARTER ADJUSTMENTS

In the fourth quarter of 1998, the Company recorded net pretax charges for inventory and related reserves of approximately \$3.5 million and a goodwill write-down of \$1.0 million primarily as a result of changes in customer demand for certain semiconductor test handler products. In addition, the credit for income taxes in the fourth quarter of 1998 was favorably affected by approximately \$1.0 million as a result of the settlement of tax examinations for earlier years.

5. INVESTMENTS

Investments at December 31, were as follows:

	2000	1999
(in thousands)	-----	-----
Corporate debt securities	\$ 72,881	\$ 66,552
U.S. government agency securities	2,026	--
	-----	-----
	74,907	66,552
Less amounts classified as cash equivalents	(61,439)	(40,906)
	-----	-----
Short-term investments	\$ 13,468	\$ 25,646
	=====	=====

At December 31, 2000 and 1999, the estimated fair value of the Company's investments approximated amortized cost. Accordingly, temporary differences between the investment portfolio's fair value and its cost have not been presented as a separate component of stockholders' equity. Except for \$6.2 million of investments at December 31, 2000 that mature in 2002, all investments mature in 2001.

COHU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. LINE OF CREDIT

The Company maintains a \$10,000,000 unsecured bank line-of-credit facility bearing interest at the bank's prime rate. The facility requires compliance with certain financial covenants and expires in May 2001. No borrowings were outstanding at December 31, 2000 or 1999.

7. INCOME TAXES

Significant components of the provision for income taxes are as follows:

	2000	1999	1998
(in thousands)	-----	-----	-----
Current:			
Federal	\$ 17,716	\$ 11,734	\$ 4,329
State	2,344	1,866	707
	-----	-----	-----
Total current	20,060	13,600	5,036
Deferred:			
Federal	(921)	(674)	(478)
State	(139)	74	(158)
	-----	-----	-----
Total deferred	(1,060)	(600)	(636)
	-----	-----	-----
	\$ 19,000	\$ 13,000	\$ 4,400
	=====	=====	=====

The cumulative effect of change in accounting principle included in the 2000 consolidated statement of income is net of a \$1,700,000 deferred tax benefit not reflected in the table above.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

December 31,	2000	1999
(in thousands)	-----	-----
Deferred tax assets:		
Reserves and accrued warranty costs	\$10,268	\$ 9,850
Accrued state income taxes	593	482
Accrued employee benefits	1,258	1,278
SAB 101	2,000	--
Other	540	520
	-----	-----
Total deferred tax assets	14,659	12,130
	-----	-----
Deferred tax liabilities:		
Tax over book depreciation	1,342	1,573
	-----	-----
Net deferred tax assets	\$13,317	\$10,557
	=====	=====

The reconciliation of income tax computed at the U.S. federal statutory tax rate to the provision for income taxes is as follows:

	2000	1999	1998
(in thousands)	-----	-----	-----
Tax at U.S. statutory rate	\$ 19,613	\$ 13,624	\$ 5,616
State income taxes, net of federal tax benefit	1,434	1,261	
			357
Foreign Sales Corporation benefit	(1,929)	(1,487)	(641)
Nondeductible goodwill and performance-based consideration expense	101	101	405
Settlement of prior year tax examinations	--	--	(1,049)
Other -- net	(219)	(499)	(288)
	-----	-----	-----
	\$ 19,000	\$ 13,000	\$ 4,400
	=====	=====	=====

8. STOCKHOLDER RIGHTS PLAN

In November 1996, the Company adopted a Stockholder Rights Plan and declared a dividend distribution of one-half Right ("Right") for each share of Common Stock, payable to holders of record on December 3, 1996. Under certain conditions, each Right may be exercised to purchase 1/200 of a share of Series A Preferred Stock at a purchase price of \$45, subject to adjustment. The Rights are not presently exercisable and will only become exercisable following the occurrence of certain specified events. If these specified events occur, each Right will be adjusted to entitle its holder to receive upon exercise Common Stock having a value equal to two times the exercise price of the Right or each Right will be adjusted to entitle its holder to receive common stock of the acquiring company having a value equal to two times the exercise price of the Right, depending on the circumstances. The Rights expire on November 14, 2006 and may be redeemed by the Company for \$0.001 per Right. The Rights do not have voting or dividend rights and, until they become exercisable, have no dilutive effect on the earnings per share of the Company.

9. SEGMENT AND RELATED INFORMATION

The Company has two reportable segments as defined by FASB Statement No. 131, Disclosures about Segments of an Enterprise and Related Information. The Company's reportable segments are business units that offer different products and are managed separately because each business requires different technology and marketing strategies. The semiconductor equipment segment designs, manufactures and sells semiconductor test handling equipment to semiconductor manufacturers throughout the world and accounted for 87% of net sales in 2000. The television camera segment designs, manufactures and sells closed circuit television cameras and systems to original equipment manufacturers, contractors and government agencies and accounted for 9% of net sales in 2000. The Company's other operating segments include a metal detection business and a microwave radio equipment company. Neither of these other segments met any of the quantitative thresholds for determining reportable segments. Information regarding industry segments for 2000, 1999 and 1998 contained in the Selected Financial Data on pages 9 and 10 is an integral part of these consolidated financial statements.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company allocates resources and evaluates the performance of segments based on pretax profit or loss from operations, excluding unusual gains or losses. Intersegment sales were not significant for any period.

Customers from the semiconductor equipment segment comprising 10% or greater of the Company's net sales are summarized as follows:

	2000	1999	1998
	----	----	----
Intel	26%	7%	12%
Texas Instruments	12%	12%	9%
Motorola	10%	24%	22%
Micron Technology	2%	3%	17%

Assets located in foreign countries were not significant. Net sales to customers, attributed to countries based on product shipment destination, were as follows:

	2000	1999	1998
	-----	-----	-----
(in thousands)			
United States	\$107,770	\$ 76,715	\$ 96,645
Malaysia	45,204	18,822	19,222
Philippines	28,451	13,363	19,141
Taiwan	24,553	19,849	6,301
Singapore	17,690	25,616	8,101
China	12,444	21,351	9,035
Other foreign countries	53,452	33,064	13,066
	-----	-----	-----
Total	\$289,564	\$208,780	\$171,511
	=====	=====	=====

COHU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. EMPLOYEE BENEFIT PLANS

RETIREMENT PLANS - The Company has voluntary defined contribution retirement 401(k) plans whereby it will match contributions up to 4% of employee compensation. Company contributions to the plans were \$1,550,000 in 2000, \$1,199,000 in 1999 and \$1,179,000 in 1998. Certain of the Company's foreign employees participate in a defined benefit pension plan. The related expense and benefit obligation of this plan were not significant.

RETIREE MEDICAL BENEFITS - The Company provides post-retirement health benefits under a noncontributory plan to certain executives and directors. The net periodic benefit cost was \$76,000, \$80,000 and \$78,000, in 2000, 1999 and 1998, respectively. The Company funds benefits as costs are incurred. Benefits paid and other changes in the benefit obligation for each of the three years in the period ended December 31, 2000 were not significant. The weighted average discount rate used in determining the accumulated post-retirement benefit obligation was 7.0% in 2000, 1999 and 1998. Annual rates of increase of the cost of health benefits were assumed to be 8.75% for 2001. These rates were then assumed to decrease 0.25% per year to 6% in 2012 and remain level thereafter. A 1% increase (decrease) in health care cost trend rates would increase (decrease) the 2000 net periodic benefit cost by approximately \$13,000 (\$10,000) and the accumulated post-retirement benefit obligation as of December 31, 2000 by approximately \$148,000 (\$122,000).

EMPLOYEE STOCK PURCHASE PLAN - The Cohu, Inc. 1997 Employee Stock Purchase Plan provides for the issuance of a maximum of 600,000 shares of the Company's Common Stock. Under the Plan, eligible employees may purchase shares of common stock through payroll deductions. The price paid for the common stock is equal to 85% of the fair market value of the Company's Common Stock on specified dates. In 2000, 1999 and 1998, 85,994, 74,995 and 70,958 shares, respectively, were issued under the Plan.

The estimated weighted average fair value of purchase rights granted in 2000, 1999 and 1998 was \$8.52, \$4.39 and \$4.51, respectively. The fair value of the purchase rights was estimated using the Black-Scholes option-pricing model with the following assumptions for 2000, 1999 and 1998; risk-free interest rates ranging from 4.4% to 6.4%; dividend yield of 1%; expected life of 6 months and volatility of 56% to 62%.

STOCK OPTIONS - Under the Company's stock option plans, options may be granted to key employees and outside directors to purchase a fixed number of shares of the Company's Common Stock at prices not less than 100% of the fair market value at the date of grant. All options become exercisable one-fourth annually beginning one year after the grant date and expire 10 years from the grant date. Options to purchase a total of 443,200 shares were granted to employees in exchange for an equal number of canceled options pursuant to an exchange plan approved by the Board of Directors in December 1998. The newly granted options have exercise prices equal to the fair market value on the date of grant and become exercisable over the four-year period ended December 2002. At December 31, 2000, 586,850 and 120,000 shares were available for future grants under the employee and outside director plans, respectively.

The estimated weighted average fair value of options granted during 2000, 1999 and 1998 was \$8.03, \$6.04 and \$6.60, respectively. The fair value of each option grant was estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions for 2000, 1999 and 1998: risk-free interest rates ranging from 4.2% to 6.7%; dividend yield of 1%; expected life of 4 to 5 years and volatility of 56% to 62%.

Had compensation cost for the Company's stock option and purchase plan grants from 1995 through 2000 been determined based on the fair value at the date of grant accounting consistent with FASB Statement No. 123, Accounting for Stock-Based Compensation, the Company's pro forma net income and earnings per share would have been as follows:

	2000	1999	1998
	-----	-----	-----
(in thousands, except per share amounts)			
Pro forma net income	\$ 30,078	\$ 23,593	\$ 10,598
Pro forma earnings per share:			
Basic	1.49	1.19	.54
Diluted	1.45	1.17	.54

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. Because the Company's employee stock option and purchase plans have characteristics significantly different from those of traded options, in management's opinion, this model does not necessarily provide a reliable single measure of the fair value of its employee stock option and purchase plans.

COHU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Stock option activity under all option plans was as follows:

	2000		1999		1998	
	SHARES	WT. AVG. EX. PRICE	Shares	Wt. Avg. Ex. Price	Shares	Wt. Avg. Ex. Price
(in thousands, except per share data)						
Outstanding, beginning of year	1,911	\$11.42	1,598	\$ 9.47	1,714	\$ 8.57
Granted	698	16.24	816	12.98	806	13.36
Exercised	(292)	9.13	(328)	5.58	(390)	4.22
Canceled	(79)	16.78	(175)	11.78	(532)	16.31
Outstanding, end of year	2,238	\$13.04	1,911	\$11.42	1,598	\$ 9.47
Options exercisable at year end	725	\$10.53	559	\$ 8.87	610	\$ 6.22

Information about stock options outstanding at December 31, 2000 is as follows:

	Options Outstanding			Options Exercisable	
(options in thousands)					
Range of Exercise Prices	Number Outstanding at 12/31/00	Approximate Remaining Life (Years)	Wt. Avg. Ex. Price	Number Exercisable at 12/31/00	Wt. Avg. Ex. Price
\$ 4.03 -- 07.69	110	4.2	\$ 4.53	100	\$ 4.22
8.50 -- 13.88	1,869	8.1	12.05	552	10.46
14.03 -- 28.13	203	8.1	19.81	73	19.75
35.00 -- 38.81	56	9.3	38.13	--	--
	2,238	8.0	\$13.04	725	\$10.53

11. COMMITMENTS

Rent expense for the years ended December 31, 2000, 1999 and 1998 was \$1,329,000, \$1,006,000 and \$731,000, respectively. Future minimum lease payments at December 31, 2000 are: 2001 - \$1,119,000; 2002 - \$946,000; 2003 - \$698,000; 2004 - \$685,000; 2005 -- \$639,000; totaling \$4,087,000. Future minimum payments have not been reduced by minimum sublease rentals totaling \$740,000 due in 2001 and 2002.

12. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarter		First*	Second*	Third*	Fourth	Year
(in thousands, except per share data)						
Net sales:	2000	\$72,732	\$86,761	\$74,188	\$ 55,883	\$289,564
	1999	29,526	43,471	61,728	74,055	208,780
Gross profit:	2000	28,530	35,061	29,488	19,524	112,603
	1999	10,362	17,721	24,652	29,333	82,068
Income before cumulative effect of accounting change:	2000	10,453	12,928	9,037	4,620	37,038
	1999	1,391	4,870	7,482	12,183	25,926
Net income:	2000	7,154	12,928	9,037	4,620	33,739
	1999	1,391	4,870	7,482	12,183	25,926
Earnings per share before cumulative effect of accounting change:						
Basic	2000	.52	.64	.45	.23	1.83
	1999	.07	.25	.38	.61	1.31
Diluted	2000	.49	.61	.43	.22	1.76
	1999	.07	.24	.36	.58	1.26

*Amounts for 2000 restated. See Note 2, Change in Accounting for Revenue Recognition.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Cohu, Inc.

We have audited the accompanying consolidated balance sheets of Cohu, Inc. as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cohu, Inc. at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Notes 1 and 2 to the consolidated financial statements, in 2000 the Company changed its method of revenue recognition.

/s/ ERNST & YOUNG LLP

San Diego, California
January 30, 2001

INDEX TO EXHIBITS

14. (c) The following exhibits are filed as part of, or incorporated into, the Cohu Annual Report on Form 10-K:

EXHIBIT NO. -----	DESCRIPTION -----
3.1	Amended and Restated Certificate of Incorporation of Cohu, Inc., incorporated herein by reference from the Cohu Form S-8 filed June 30, 2000, Exhibit 4.1(a)
3.2	Amended and Restated Bylaws of Cohu, Inc., incorporated herein by reference from the Cohu Form 8-K, filed December 12, 1996, Exhibit 3.2
4.1	Rights Agreement dated November 15, 1996, between Cohu, Inc. and ChaseMellon Shareholder Services, L.L.C, as Rights Agent, incorporated herein by reference from the Cohu Form 8-K, filed December 12, 1996, Exhibit 4.1
10.1	Description of Cohu, Inc. Executive Incentive Bonus Plan, incorporated herein by reference from the Cohu 1990 Form 10-K, Exhibit 10.3*
10.2	Cohu, Inc. 1992 Stock Option Plan, incorporated herein by reference from the Cohu Proxy Statement for its 1992 Annual Meeting of Stockholders*
10.3	Cohu, Inc. 1994 Stock Option Plan, incorporated herein by reference from the Cohu Proxy Statement for its 1995 Annual Meeting of Stockholders*
10.4	Cohu, Inc. 1996 Stock Option Plan, incorporated herein by reference from the Cohu Proxy Statement for its 1996 Annual Meeting of Stockholders*
10.5	Business Loan Agreement between Bank of America, N.A. and Cohu, Inc. dated June 15, 1998, incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 1998, Exhibit 10.1
10.5.1	Amendment No. 1 to Business Loan Agreement dated May 19, 1999 between Cohu, Inc. and Bank of America, N.A., incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 1999, Exhibit 10.1
10.5.2	Amendment No. 2 to Business Loan Agreement dated April 28, 2000 between Cohu, Inc. and Bank of America, N.A., incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 2000, Exhibit 10.1
10.6	Termination Agreement between Cohu, Inc. and John H. Allen, incorporated herein by reference from the Cohu 1996 Form 10-K, Exhibit 10.11*
10.7	Cohu, Inc. 1996 Outside Directors Stock Option Plan, incorporated herein by reference from the Cohu 1996 Form 10-K, Exhibit 10.12*
10.8	Cohu, Inc. 1997 Employee Stock Purchase Plan, incorporated herein by reference from the Cohu 1996 Form 10-K, Exhibit 10.13*
10.9	Cohu, Inc. Key Executive Long Term Incentive Plan, incorporated herein by reference from the Cohu 1997 Form 10-K, Exhibit 10.13*
10.10	Cohu, Inc. 1998 Stock Option Plan, incorporated herein by reference from the Cohu Form S-8 filed June 30, 2000, Exhibit 4.4*
10.11	Termination Agreement between Cohu, Inc. and James A. Donahue, incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 1998, Exhibit 10.2*

EXHIBIT NO. -----	DESCRIPTION -----
10.12	Lease Assignment Agreement dated June 25, 1999 by and between Cohu, Inc., Cubic Defense Systems, Inc. and Thomas G. Plein and Diane L. Plein, incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 1999, Exhibit 10.2
10.12.1	Option to extend lease agreement dated June 25, 1999 by and between Cohu, Inc. and Thomas G. Plein and Diane L. Plein, incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 2000, Exhibit 10.2
10.13	Employment Agreement between Cohu, Inc. and Charles A. Schwan, incorporated herein by reference from the Cohu Form 10-Q for the quarter ended June 30, 2000, Exhibit 10.3*
10.14	Lease and Real Estate Purchase Option Agreement between Cohu, Inc. and IPX Camelback, LLC dated July 3, 2000
10.15	Loan Agreement between Cohu, Inc. and IPX Camelback, LLC dated July 3, 2000
10.16	Indemnity Agreement between Cohu, Inc. and IPX Camelback, LLC dated July 3, 2000
10.17	Lease Agreement between Cohu, Inc. and IPX Camelback LLC dated October 27, 2000
10.18	Sublease Agreement between Cohu, Inc. and Anacomp, Inc. dated October 27, 2000
21	Cohu, Inc. has the following wholly owned subsidiaries: Delta Design, Inc., a Delaware corporation Fisher Research Laboratory, Inc., a Delaware corporation Broadcast Microwave Services, Inc., a Delaware corporation Delta Design (Littleton), Inc., a Delaware corporation Cohu Foreign Sales Ltd., a Barbados corporation
23	Consent of Ernst & Young LLP, Independent Auditors
*	Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 8, 2001

By /s/ James A. Donahue

James A. Donahue
President & Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ Charles A. Schwan ----- Charles A. Schwan	Chairman of the Board, Director	March 8, 2001
/s/ James A. Donahue ----- James A. Donahue	President & Chief Executive Officer, Director (Principal Executive Officer)	March 8, 2001
/s/ John H. Allen ----- John H. Allen	Vice President, Finance & Chief Financial Officer, Secretary (Principal Financial & Accounting Officer)	March 8, 2001
/s/ James W. Barnes ----- James W. Barnes	Director	March 8, 2001
/s/ Harry L. Casari ----- Harry L. Casari	Director	March 8, 2001
/s/ Frank W. Davis ----- Frank W. Davis	Director	March 8, 2001
/s/ Harold Harrigian ----- Harold Harrigian	Director	March 8, 2001
/s/ Gene E. Leary ----- Gene E. Leary	Director	March 8, 2001

COHU, INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Description - - - - -	Balance at Beginning of Year -----	Additions Charged to Expense -----	Deductions (Write-offs) -----	Balance at End of Year -----
Allowance for doubtful accounts:				
Year ended December 31, 1998	\$ 1,788	\$ 147	\$ 597	\$ 1,338
Year ended December 31, 1999	\$ 1,338	\$ 823	\$ 180	\$ 1,981
Year ended December 31, 2000	\$ 1,981	\$ 445	\$ 199	\$ 2,227
Reserve for excess and obsolete inventories:				
Year ended December 31, 1998	\$15,094	\$10,583	\$7,255	\$18,422
Year ended December 31, 1999	\$18,422	\$ 1,113	\$3,676	\$15,859
Year ended December 31, 2000	\$15,859	\$ 5,928	\$4,267	\$17,520

LEASE AND REAL ESTATE PURCHASE OPTION AGREEMENT

This LEASE AND REAL ESTATE PURCHASE OPTION AGREEMENT (the "Agreement") is made and entered into this 3rd day of July, 2000 by and between COHU, INC., a Delaware corporation ("Cohu"), and IPX CAMELBACK, LLC, an Arizona limited liability company ("IPX"), with reference to the Recitals below.

RECITALS

A. IPX is contemporaneously herewith executing a certain Purchase and Sale Agreement and Escrow Instructions dated July 3, 2000 (the "Purchase Agreement") to acquire certain real property (the "Real Property") located at 12365 Crosthwaite Circle, Poway, CA 92064 and which is legally described on Exhibit "A" hereto.

B. After acquiring the Real Property, IPX desires to lease the Real Property to Cohu in its capacity as a tenant (the "Tenant") under the Lease (as defined below).

C. The parties are executing this Agreement in order to memorialize their understanding concerning the foregoing matters.

AGREEMENT

NOW, THEREFORE, in consideration of the above Recitals and the mutual promises set forth herein, the parties hereby agree as follows:

1. DEFINITIONS. For purposes of this Agreement, the following terms shall have the meanings provided below:

1.1 "1031 EXCHANGE" shall have the meaning given it in Section 12.11 below.

1.2 "ACQUISITION COSTS" shall mean the sum of: (i) the greater of (x) the purchase price paid by IPX to the Seller to acquire the Real Property or (y) the outstanding principal balance under the Loan Agreement (as defined in Section 1.17 below), including accrued and unpaid interest and other unpaid fees and charges of Lender; (ii) all sales, transfer or similar taxes, and all charges and closing costs paid by IPX in connection with its purchase of the Real Property; (iii) all interest, charges and other fees incurred by IPX under the Loan Agreement which are not paid as rent pursuant to the Lease or otherwise reimbursed to IPX by Cohu, and (iv) any and all unreimbursed costs, liabilities and expenses (including any state or local transfer or excise taxes) of any kind incurred by IPX in connection with the acquisition, ownership, or operation of the Real Property, the disposition of the Real Property; provided, however, that Acquisition Costs shall not include any Excluded Costs (as defined below).

1.3 "PURCHASE AGREEMENT" shall have the meaning given it in Recital A above.

1.4 "CONTAMINATION" shall have the meaning given it in Section 10.2 below.

1.5 "CONTRACT PERIOD" shall mean a period of twelve (12) calendar months commencing when IPX acquires the Real Property.

1.6 "CORRECTIVE ACTION" shall have the meaning given it in Section 10.2(b) below.

1.7 "DEFICIENCY PAYMENT" shall have the meaning give it in Section 9.1(a) below.

1.8 "ENFORCEMENT AGENCY" shall have the meaning given it in Section 10.2(b) below.

1.9 "ENVIRONMENTAL STATUTES" shall have the meaning given it in Section 10.2 below.

1.10 "EXCLUDED COSTS" shall mean the sum of only: (i) professional fees and administrative costs and fees (including overhead costs) incurred by IPX in connection with the transactions contemplated hereunder or its organization or operation (but not including any such fees that IPX is entitled to be indemnified for under any other provision of this Agreement); (ii) any claims or losses incurred by IPX as to which Cohu is expressly excused from reimbursing IPX under a separate provision of this Agreement and (iii) any and all income taxes and similar taxes based upon or measured by IPX's income. The foregoing notwithstanding, any professional fees and costs incurred by IPX in connection with, or as a result of, a default under or breach of this Agreement by Cohu or a default under or breach of the Lease by Tenant shall not be considered "Excluded Costs" under this Agreement.

1.11 "FAIR MARKET VALUE" of the Real Property shall mean the gross fair market value of the Real Property, unencumbered by the Loan Agreement, as determined by an appraisal conducted by a recognized appraiser (the "Appraiser") to be agreed to by Cohu and IPX; provided, however, that if the Real Property is purchased from IPX during the Contract Period, then the Fair Market Value shall be deemed to equal the Acquisition Costs. If Fair Market Value is to be determined by an appraisal, Cohu shall be solely responsible for timely retaining the Appraiser and paying all of the Appraiser's fees and expenses. If Fair Market Value is to be determined by reference to the Acquisition Costs, IPX shall provide Cohu with an accounting thereof at least five (5) days prior to the closing date for any such transfer.

1.12 "FORUM STATE" shall mean the State of California.

1.13 "HAZARDOUS SUBSTANCE" shall have the meaning given it in Section 10.2 below.

1.14 "INDEMNIFIED PARTIES" shall mean (i) IPX, (ii) Pacific American Property Exchange Corporation, and (iii) their respective affiliates, officers, agents, shareholders,

managers, members, employees and assigns.

1.15 "LEASE" shall mean that certain Lease Agreement to be entered into by Tenant and IPX for the purpose of leasing the Real Property. The Lease shall be entered into prior to IPX's acquisition of the Real Property. See Section 2.3 below.

1.16 "LENDER" shall mean Delta Design, Inc., a Delaware corporation.

1.17 "LOAN AGREEMENT" shall mean that certain loan agreement between Lender and IPX dated July 3, 2000.

1.18 "OPTION NOTICE" shall have the meaning provided in Section 5.1 below.

1.19 "PERMITTED LIENS" shall mean (i) any lien specifically authorized or contemplated in this Agreement or the Loan Agreement, (ii) any lien which arises as a result of Tenant's breach of the Lease or Cohu's default under this Agreement, (iii) any lien or encumbrance arising from acts or omissions of Seller or Tenant, (iv) any lien or encumbrance in existence at the time IPX acquires the Real Property, or (v) any lien which is not an Unrelated Lien.

1.20 "REAL PROPERTY" shall have the meaning given it in Recital A above.

1.21 "SELLER" shall mean Burnham Pacific Operating Partnership, L.P., a Delaware limited partnership.

1.22 "TENANT" shall mean Cohu, Inc., a Delaware corporation.

1.23 "TERMINATION EVENTS" shall have the meaning given it in Section 3.2 below.

1.24 "TERMINATION NOTICE" shall have the meaning provided in Section 3.1 below.

1.25 "TERMINATION SALE NOTICE" shall have the meaning given it in Section 9.1 below.

1.26 "TERMINATION SALE PROCEEDS" shall have the meaning given it in Section 9.3 below.

1.27 "THIRD PARTY CLAIM" shall have the meaning given it in Section 10.4 below.

1.28 "UNRELATED LIENS" shall mean any liens, encumbrances or restrictions created or suffered to exist by IPX with respect to the Real Property, including without limitation any liens, encumbrances or restrictions which are created or suffered by IPX: (i) for money

borrowed (other than pursuant to the Loan Agreement), (ii) in connection with its activities in any respect not pertaining to the Real Property or this Agreement, or (iii) in violation or breach of this Agreement, the Loan Agreement, or the Lease. The Permitted Liens are not Unrelated Liens.

1.29 FINANCING OF ACQUISITION. In order to finance the acquisition of the Real Property, IPX shall borrow funds from the Lender in accordance with the terms and conditions set forth in that certain Loan Agreement dated July 3, 2000 (the "Loan Agreement") between the Lender and IPX (the "Loan Agreement"). IPX shall comply with all the terms and conditions of the Loan Agreement and enter into such other agreements and assignments as may be required thereby.

1.30 LEASE. Simultaneously with the acquisition of the Real Property by IPX, Tenant shall enter into the Lease. The Lease shall be mutually satisfactory in form and substance to IPX and Cohu.

2. TERMINATION PROCEDURES.

2.1 TERMINATION NOTICE. If IPX continues to hold any interest in the Real Property after the occurrence of any of the Termination Events, then IPX may, in its sole discretion, by written notice (the "Termination Notice") sent to Cohu by IPX at any time within sixty (60) days after the occurrence of the Termination Event, invoke the remedies and indemnity provisions set forth in Section 9 below.

2.2 TERMINATION EVENTS. For purposes of this Agreement, the following events shall be considered "Termination Events":

(a) If IPX continues to hold an interest in the Real Property as of a date which is thirty (30) days prior to the stated maturity date of any loan extended pursuant to the Loan Agreement (or the equivalent date under any refinancings, renewals, extensions or modifications thereof);

(b) If Cohu, or any successor or assign, shall be dissolved or liquidated; shall make an assignment for the benefit of creditors; shall file a petition in bankruptcy; shall be adjudicated insolvent or bankrupt; shall petition or apply to any tribunal for any receiver or trustee; shall commence any proceeding relating to itself under any bankruptcy, reorganization, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction; shall have commenced against it any such proceeding which remains undismissed for a period of ninety (90) days; shall indicate its consent to, approval of or acquiescence in any such proceeding; or shall suffer the appointment of any receiver or trustee for it or for substantially all of its property which shall continue undischarged for a period of ninety (90) days;

(c) If Tenant shall default under terms of the Lease and such default

shall remain uncured for more than thirty (30) days after notice from IPX to Tenant; and

(d) If the Contract Period has ended.

3. COHU'S REMEDIES. If IPX, or any successor thereof, shall be dissolved or liquidated, shall make an assignment for the benefit of creditors; shall file a petition in bankruptcy; shall be adjudicated insolvent or bankrupt, shall petition or apply to any tribunal for any receiver or trustee; shall commence any proceeding relating to itself under any bankruptcy, reorganization, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction; shall have commenced against it any such proceeding which remains undismissed for a period of ninety (90) days; shall indicate its consent to, approval of or acquiescence in any such proceeding or shall suffer the appointment of any receiver or trustee for it or any substantial part of its property which shall continue undischarged for a period of ninety (90) days, Cohu shall be entitled, in its sole discretion, to recover any and all damages against IPX as provided by law.

4. COHU'S PURCHASE OPTION.

4.1 GRANT OF OPTION. At any time and from time to time prior to the occurrence of a Termination Event, Cohu or its assignee (designated pursuant to Section 12.11 below) shall have the right (the "Option"), upon delivery of written notice (the "Option Notice") to IPX, to purchase the Real Property (or the entire membership interest of Pacific American Property Exchange Corporation in IPX) for cash in an amount equal to the Fair Market Value of the Real Property as determined as of the date of the Option Notice.

4.2 CLOSING PROCEDURES. At such time and from time to time that Cohu or its designated assignee exercises the Option, the Option Notice shall set forth a date no later than forty-five (45) business days after the date of such notice for a closing at which IPX shall transfer and assign title to the Real Property to Cohu or its designated assignee. Except as prohibited by law, Cohu or its designated assignee shall be required to accept the Real Property pursuant to this Section 5 regardless of: (i) defects in title or encumbrances other than Unrelated Liens; (ii) the absence of any required permits or approvals; (iii) any unfavorable tax rulings; or (iv) any other matter or condition affecting or relating to the Real Property or the right or power of Cohu to take or maintain possession of and operate the Real Property other than the Unrelated Liens. Title to the Real Property shall be subject to the Permitted Liens, but not the Unrelated Liens. In addition, IPX shall assign to Cohu all representations, warranties and covenants from the Seller pertaining to the Real Property that have been obtained by IPX and all of its rights and obligations under the Lease.

4.3 ADDITIONAL DELIVERIES. At such time and from time to time as IPX delivers the Real Property to Cohu (or its designated assignee) pursuant to Section 5.2 above, IPX shall also deliver to Cohu (or its designated assignee) (i) any insurance or condemnation proceeds pertaining to the Real Property which IPX may have received, except to the extent such proceeds have been reinvested or otherwise applied as required under the Loan Agreement, or applied in accordance with the Lease, and (ii) assignments of any insurance or condemnation

proceeds pertaining to the Real Property which IPX may be entitled to receive but has not received.

5. REPRESENTATIONS AND WARRANTIES OF IPX. IPX hereby represents and warrants to Cohu as follows:

5.1 DUE ORGANIZATION; AUTHORITY; ENFORCEABILITY. IPX is an Arizona limited liability company, duly organized, and validly existing under the laws of the state of its formation and authorized to conduct business in the State of California, with the power and authority to make, execute, deliver and perform its obligations under this Agreement and all of the transactions contemplated under this Agreement and has taken all necessary action to authorize the execution, delivery and performance of this Agreement. This Agreement constitutes a valid and binding obligation of IPX, enforceable against IPX in accordance with its terms, subject, however, to bankruptcy, insolvency, reorganization, moratorium and other laws of general applicability relating to or affecting creditors' rights and to general equitable principles. Pacific American Property Exchange Corporation is and shall at all times be the sole member of IPX.

5.2 CONFLICT WITH EXISTING LAWS OR CONTRACTS. The execution and delivery of this Agreement, and all related documents, and the performance of its obligations hereunder and thereunder by IPX (i) does not conflict with or result in a breach of or constitute a default under any of the terms, conditions or provisions of the certificate of formation or operating agreement of IPX or of any agreement or instrument to which IPX is a party or by which IPX is bound or any order or decree applicable to IPX, and (ii) will not result in the creation or imposition of any lien (except for those liens contemplated by the Lease and Loan Agreement) on any of IPX's assets or property, which would materially and adversely affect the ability of IPX to execute and deliver this Agreement and perform its obligations hereunder. IPX has obtained all consents, approvals, authorizations or orders of any court or governmental agency or body, if any, required for the execution and delivery of this Agreement by IPX.

5.3 LEGAL ACTION AGAINST IPX. There are no judgments, orders, or decrees of any kind against IPX unpaid or unsatisfied of record nor any legal action, suit or other legal or administrative proceeding pending or to IPX's knowledge threatened against IPX, before any court or administrative agency which has, or is likely to have, any material or adverse effect on the business or assets or the condition, financial or otherwise, of IPX or which prevents the ability of IPX to perform hereunder.

5.4 FINANCIAL CONDITION OF IPX. IPX has not filed any petition seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any law relating to bankruptcy or insolvency, nor has any such petition been filed against IPX. No general assignment of IPX's property has been made for the benefit of creditors, and no receiver, master, liquidator or trustee has been appointed for IPX or any of its property. IPX is not insolvent and the consummation of the transactions contemplated by this Agreement shall not render IPX insolvent. IPX will have as of the time of execution of this Agreement sufficient financial resources to meet its obligations hereunder.

5.5 RELATIONSHIP OF PARTIES. IPX is not the agent or partner of

Cohu.

5.6 TITLE. Except as expressly provided herein, IPX shall not be obligated to make any representations and warranties to Cohu (or its designated assignee) in connection with the transfer of the Real Property pursuant to Section 5 above.

6. REPRESENTATIONS AND WARRANTIES OF COHU. Cohu hereby represents and warrants to IPX as follows:

6.1 DUE ORGANIZATION; AUTHORITY; ENFORCEABILITY. Cohu is an entity in the form specified in the preamble to this Agreement and is duly organized, validly existing and in good standing under the laws of the state of its formation, with the power and authority to make, execute, deliver and perform its respective obligations under this Agreement and all of the transactions contemplated under this Agreement and has taken all necessary action to authorize the execution, delivery and performance of this Agreement. This Agreement constitutes a valid and binding obligation of Cohu, enforceable against Cohu in accordance with its terms, subject, as to enforcement to bankruptcy, insolvency, reorganization, moratorium and other laws of general applicability relating to or affecting creditors' rights and to general equitable principles.

6.2 CONFLICT WITH EXISTING LAWS OR CONTRACTS. The execution and delivery of this Agreement and all related documents and the performance of its obligations hereunder and thereunder by Cohu (i) does not conflict with or result in a breach of or constitute a default under any of the terms, conditions or provisions of any agreement or instrument to which Cohu is a party or by which Cohu is bound or any order or decree applicable to Cohu, or (ii) will not result in the creation or imposition of any lien on any of the assets or property of Cohu, which would materially and adversely affect the ability of Cohu to execute and deliver this Agreement and perform its obligations hereunder. Cohu has obtained all consents, approvals, authorizations or orders of any court or governmental agency or body, if any, required for the execution and delivery by Cohu of this Agreement.

6.3 LEGAL ACTION AGAINST COHU. There are no judgments, orders or decrees of any kind against Cohu unpaid or unsatisfied of record nor any legal action, suit or other legal or administrative proceeding pending or, to Cohu's knowledge, threatened against Cohu, before any court or administrative agency which has, or is likely to have, any material or material adverse effect on the business or assets or the condition, financial or otherwise, of Cohu or which prevents the ability of Cohu to perform hereunder.

6.4 FINANCIAL CONDITION OF COHU. Cohu has not filed any petition seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any law relating to bankruptcy or insolvency, nor has any such petition been filed against Cohu. No general assignment of Cohu's property has been made for the benefit of creditors, and no receiver, master, liquidator or trustee has been appointed for Cohu or any of its property. Cohu is not insolvent and the consummation of the transactions

contemplated by this Agreement shall not render Cohu insolvent. Cohu will have as of the time of execution of this Agreement sufficient financial resources to meet its obligations hereunder.

7. SURVIVAL. Each and every representation and warranty made by IPX or Cohu shall survive the execution and delivery of this Agreement for a period of two (2) years after the date this Agreement terminates.

8. REMEDIES OF IPX.

8.1 TERMINATION SALE.

(a) If, at any time within thirty (30) days after receipt by Cohu of a Termination Notice pursuant to Section 3.1 above, IPX sends to Cohu a written notice (the "Termination Sale Notice") stating that IPX proposes to dispose of the Real Property, then IPX shall undertake to sell the Real Property in conformity with the termination sale procedures set forth in this Section 9. Upon such sale, if the Termination Sale Proceeds are less than the Acquisition Costs, then Cohu shall pay to IPX within ten (10) days after the sale or deemed sale, in immediately available funds, an amount (the "Deficiency Payment") equal to such deficiency as liquidated termination damages under this Section 9.1. If the Termination Sale Proceeds exceed the Acquisition Costs, IPX shall retain any such excess. It is expressly agreed that the liquidated damages provision of this Section 9.1 shall apply only to a termination sale in which the Termination Sale Proceeds are less than the Acquisition Costs. Nothing in this Section 9.1 shall limit IPX's right to collect damages from or to be indemnified by Cohu under any other provision of this Agreement.

(b) THE PARTIES AGREE THAT IT WOULD BE EXTREMELY DIFFICULT OR IMPRACTICAL TO DETERMINE IPX'S ACTUAL DAMAGES IN THE EVENT OF A TERMINATION SALE OF THE REAL PROPERTY UNDER THIS SECTION 9.1. ACCORDINGLY, IT IS AGREED THAT THE DEFICIENCY PAYMENT IS A REASONABLE ESTIMATE OF IPX'S DAMAGES IN THE EVENT OF A TERMINATION SALE. THE PAYMENT OF THE DEFICIENCY PAYMENT AS LIQUIDATED DAMAGES 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 IPX PURSUANT TO AND IN ACCORDANCE WITH CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677 AND SHALL CONSTITUTE IPX'S SOLE RECOURSE AGAINST COHU IN THE EVENT THAT THE TERMINATION SALE PROCEEDS ARE LESS THAN THE ACQUISITION COSTS.

COHU'S	_____	IPX'S	_____
INITIALS:	_____	INITIALS:	_____

8.2 TERMINATION SALE PROCEDURES. The procedures for the termination sale

of the Real Property shall be as follows:

(a) IPX shall send written notice to at least three commercial property real estate brokers of national standing operating in the county where the Real Property is located that the Real Property is available for sale and list the Real Property with at least one such broker;

(b) IPX shall place advertisements for at least seven (7) consecutive days in the commercial real estate section of at least one newspaper of general circulation in the county stating that the Real Property is available for sale;

(c) IPX shall make the Real Property reasonably available for inspection by prospective purchasers, subject to the rights of Tenant under the Lease;

(d) IPX shall accept the highest all cash offer received for the Real Property, provided that (1) a bona fide offer is received within one hundred and eighty (180) days after the first to occur of: (i) the date of the first notice mailed to a commercial real estate broker as provided in Section 9.2.(a), or (ii) the date of the first newspaper advertisement as provided in Section 9.2.(b), and (2) any offer accepted is consummated by the successful offeror within one hundred and eighty (180) days after the date of acceptance; and

(e) If IPX shall not have received a bona fide offer for the Real Property as contemplated in Section 9.2.(d) above or any such offer received is not consummated within one hundred and eighty (180) days after acceptance, IPX shall place an advertisement of auction sale in a newspaper of general circulation in the county where the Real Property is located for seven (7) consecutive days, at the conclusion of which IPX shall be entitled to cause the Real Property to be auctioned for the highest all cash bid received.

8.3 DETERMINATION OF TERMINATION SALE PROCEEDS. The term "Termination Sale Proceeds" shall mean the net cash proceeds actually received by IPX at the completion of the sale of the Real Property in accordance with the above procedures, after deduction of the sum of: (i) all fees, taxes, charges and other costs incurred by IPX in connection with such sale but not deducted from the proceeds received by it at closing and (ii) all amounts required to be paid to remove any liens, encumbrances or restrictions (other than Unrelated Liens) required to be removed under the terms of any sale of the Real Property. In the event no offers or bids are received for the Real Property, or if for any reason the Real Property cannot be sold despite the good faith efforts of IPX to do so, the Termination Sale Proceeds shall be deemed zero and the charges and costs incurred by IPX in trying to sell the Real Property shall be added to the Deficiency Payment.

8.4 IPX'S RIGHT TO RETAIN REAL PROPERTY. Notwithstanding anything herein to the contrary, IPX shall not be obligated to sell the Real Property after sending a Termination

Notice and may elect to retain the Real Property, free and clear of all obligations under this Agreement, but not the Loan Agreement.

9. ENVIRONMENTAL RELEASE AND INDEMNITY.

9.1 GENERAL RELEASE. Cohu hereby releases each Indemnified Party and their respective officers, employees and agents, directors, managers, members, shareholders, successors, heirs and assigns (the "Indemnified Environmental Parties") from any and all claims, causes of action and liabilities of any and every kind and character, whether known or unknown, existing, contingent or hereafter arising, which Cohu may have now or in the future, in connection with any Contamination of the Real Property.

9.2 DEFINITIONS.

(a) "Contamination" means the presence on, under, or from the Real Property of any toxic substance, pollutant or contaminant which may constitute a Hazardous Substance (as defined below), or related materials. As utilized herein, Contamination by a Hazardous Substance shall include contamination arising from the presence, creation, production, collection, treatment, disposal, discharge, release, storage, transport, or transfer of any such substance.

(b) "Corrective Action" means action (which may include natural attenuation) regarding the Contamination, to the extent required or approved by the environmental regulatory agency (the "Enforcement Agency") that has jurisdiction over the Contamination.

(c) The term "Hazardous Substance" shall mean any substance which (1) constitutes a hazardous waste or substance under any applicable federal, state or local law, rule, order or regulation now or hereafter adopted; (2) constitutes a "hazardous substance" under the Comprehensive Environmental Response, Compensation and Liability Act, (42 U.S.C. 9601 et seq.) and the regulations promulgated thereunder; (3) constitutes a "hazardous waste" under the Resource Conservation and Recovery Act, (42 U.S.C. 6901 et seq.) and the regulations promulgated thereunder; (4) constitutes a pollutant, contaminant, chemical or industrial, toxic or hazardous substance or waste; (5) exhibits any of the characteristics enumerated in 40 C.F.R. Sections 261.20-261.24, inclusive; (6) is an extremely hazardous substance listed in Section 302 of the Superfund Amendments and Reauthorization Act of 1986 (Public Law 99-499, 100 Stat. 1613) which are present in threshold planning or reportable quantities as defined under such act; (7) is a toxic or hazardous chemical substance which is present in quantities which exceed exposure standards as those terms are defined under Sections 6 and 8 of the Occupational Safety and Health Act, as amended, (29 U.S.C. 655 and 657 and 29 C.F.R. Part 1910 subpart 2); (8) contains any asbestos, or (9) is a petroleum-based product contained in an underground or aboveground storage tank.

(d) The term "Environmental Statutes" shall mean the statutes, laws,

rules, orders and regulations referred to in Section 10.2.(c) above.

9.3 COHU'S REPRESENTATION. Cohu represents and warrants to IPX that to the best of its knowledge no Contamination exists on or under the Real Property that would require Corrective Action.

9.4 INDEMNIFICATION BY COHU. Cohu shall, at its sole cost and expense, protect, defend, indemnify, release, and hold harmless each Indemnified Environmental Party from and against any and all claims and costs of Corrective Action that may be imposed upon, incurred by, or asserted against any Indemnified Environmental Party and directly or indirectly arising out of or in any way relating to any Contamination, including, without limitation, (i) any loss that an Indemnified Environmental Party may incur arising from (A) the failure of Cohu to perform Corrective Action at the Real Property or (B) Cohu's activities in performing Corrective Action at the Real Property and (ii) payment of attorney's fees, expenses, and other costs that an Indemnified Environmental Party incurs because of Contamination, whether the claim is asserted by any third party for the recovery of damages or losses arising from Contamination (each, a "Third Party Claim") or by the Enforcement Agency in connection with the enforcement or any attempted enforcement of Corrective Action ("Enforcement Action") with respect to Contamination and whether the basis for the Third Party Claim or Enforcement Action now exists or arises later. Upon the request of an Indemnified Environmental Party, Cohu shall defend, at Cohu's expense, the Indemnified Environmental Party against any Third Party Claim or Enforcement Action with respect to Contamination. If Cohu fails (i) to so defend an Indemnified Environmental Party in a manner that is satisfactory to such Indemnified Environmental Party in its reasonable discretion or (ii) fails to pay any judgment entered against an Indemnified Environmental Party in any Third Party Claim or Enforcement Action (after the final disposition of any appeal of the judgment), the Indemnified Environmental Party may pay, discharge, satisfy, compromise, or settle any Third Party Claim or Enforcement Action. Cohu shall pay each Indemnified Environmental Party all amounts so expended upon demand.

9.5 SURVIVAL OF PROVISIONS. The provisions of this Section 10 shall survive the termination of this Agreement for any reason and the completion of all the transactions contemplated in this Agreement.

9.6 ACTIONS FOLLOWING TERMINATION NOTICE; ACTIONS BY INDEMNIFIED PARTIES. The foregoing notwithstanding, if IPX sends a Termination Notice to Cohu and thereafter does not send a Termination Sale Notice, then Cohu shall be released from its indemnity obligations under this Section 10 and IPX shall be solely responsible for any Contamination of the Real Property discovered or occurring after the date the Termination Sale Notice is sent; provided, however, that if an Indemnified Environmental Party has sent a notice of a Third Party Claim or an Enforcement Action before such date, Cohu shall in all events be obligated to indemnify the Indemnified Environmental Parties with respect thereto in accordance with the provisions of Section 10. Notwithstanding anything to the contrary in this Section 10.6, IPX shall bear no responsibility, and Cohu's indemnity obligation shall remain in force, regarding any Contamination caused by Cohu.

10. RELEASES, ACKNOWLEDGMENTS AND INDEMNITIES.

10.1 LIMITATION ON COHU'S DAMAGES. IF (a) IPX BREACHES ANY OF ITS DUTIES TO COHU UNDER THIS AGREEMENT OR (b) ANY ACT OR OMISSION OF IPX CONSTITUTES GROSS NEGLIGENCE, COHU AGREES THAT UNDER NO CIRCUMSTANCES SHALL IPX BE LIABLE FOR PUNITIVE, EXEMPLARY, CONTRACT OR CONSEQUENTIAL DAMAGES, OR FOR ANY LOST PROFITS INCURRED BY COHU OR FOR ANY INCOME TAXES, INTEREST OR PENALTIES INCURRED BY COHU. THE SOLE AND EXCLUSIVE DAMAGES FOR WHICH IPX SHALL BE HELD LIABLE UNDER THIS AGREEMENT SHALL BE EQUAL TO DOUBLE THE SUM OF: (i) THE FEES AND EXPENSE REIMBURSEMENTS PAID BY COHU TO IPX UNDER THIS AGREEMENT, PLUS (ii) THE INTEREST EARNINGS RETAINED BY IPX ON ANY ACCOUNT FUNDS ARISING UNDER THIS AGREEMENT. COHU AGREES TO PROMPTLY NOTIFY IPX OF ANY COMPLAINT OR CLAIM COHU INTENDS TO ASSERT AGAINST IPX, AND COHU AGREES NOT TO ASSERT ANY CLAIM AGAINST IPX AFTER THE PASSAGE OF 180 DAYS AFTER THE TERMINATION OF THIS AGREEMENT UNDER SECTION 3.1. COHU AGREES THAT THE FOREGOING LIMITATION ON THE TYPE AND AMOUNT OF DAMAGES RECOVERABLE FROM IPX AND THE LIMITATION OF THE TIME WITHIN WHICH ANY CLAIM OR DISPUTE MAY BE ASSERTED AGAINST IPX IS FAIR AND REASONABLE IN LIGHT OF THE SCOPE OF THE RESPONSIBILITY OF IPX UNDER THIS AGREEMENT AND THE LIMITED AMOUNT OF THE FEES EARNED BY IPX. COHU ACKNOWLEDGES THAT IPX CONSIDERS THIS PROVISION MATERIAL AND WOULD NOT HAVE BEEN WILLING TO ENTER INTO THIS AGREEMENT IN THE ABSENCE OF SUCH LIMITATIONS. COHU ACKNOWLEDGES THAT THE LIMITATIONS CONTAINED HEREIN HAVE BEEN NEGOTIATED, AT ARMS LENGTH, BETWEEN IPX AND COHU. THE PAYMENT OF SUCH AMOUNT AS LIQUIDATED DAMAGES 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 COHU PURSUANT TO AND IN ACCORDANCE WITH CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677 AND SHALL CONSTITUTE COHU'S SOLE RECOURSE FOR IPX'S DEFAULT.

COHU'S _____

IPX'S _____

INITIALS: _____

INITIALS: _____

10.2 MEDIATION. IF COHU ASSERTS ANY CLAIM AGAINST IPX MEMBER OR IPX AND IF THE CLAIM CANNOT BE SETTLED THROUGH NEGOTIATIONS, COHU, PACIFIC AMERICAN PROPERTY EXCHANGE CORPORATION, AND IPX AGREE FIRST TO TRY IN GOOD FAITH TO SETTLE THE

CLAIM OR CONTROVERSY BY MEDIATION ADMINISTERED BY THE AMERICAN ARBITRATION ASSOCIATION UNDER ITS COMMERCIAL MEDIATION RULES BEFORE RESORTING TO LITIGATION. ANY MEDIATION SESSIONS SHALL BE HELD IN SAN DIEGO COUNTY, CALIFORNIA.

10.3 ADDITIONAL INDEMNIFICATION OF INDEMNIFIED PARTIES. Cohu shall defend, indemnify and hold harmless each Indemnified Party from and against any claim, including, without limitation, costs and expenses of defending or settling disputed claims (including without limitation reasonable attorney's fees incurred by any Indemnified Party), arising from or in connection with:

(a) Any representation, warranty, covenant, obligation or liability of Cohu relating to the Real Property, or its acquisition or conveyance in accordance with this Agreement, any third party claim arising from entering into the Lease, any claim or allegation by any buyer, seller, or any lender, tenant, lien holder or other third party connected with the Real Property; and

(b) The proper performance by the Indemnified Parties of any of their duties, responsibilities or obligations under this Agreement.

10.4 SURVIVAL AND SCOPE OF INDEMNITY. Notwithstanding any conflicting term or provision of this Agreement, Cohu's indemnification and related covenants and obligations in this Agreement will:

(a) Survive and continue in effect after the closing, or delivery and recordation of any deed or any termination of this Agreement (whether from completion of the arrangements provided for in this Agreement, or otherwise); and

(b) Not apply to any claim directly caused by the willful misconduct, gross negligence, or breach of its duties or responsibilities under this Agreement by IPX.

10.5 COHU'S RESPONSIBILITIES. Without prejudice to any other limitation on the duties, responsibilities or obligations of IPX under this Agreement, Cohu (not IPX) is responsible for:

(a) The sufficiency, accuracy or validity of any document or instrument arising from or relating to the transactions contemplated by this Agreement;

(b) The manner of signing of any document or instrument, except to the extent signed by IPX;

(c) The identity, authority or rights of any person or entity signing any document or instrument, other than IPX; or

(d) The federal or state income tax aspects of the transactions

contemplated by this Agreement.

10.6 NO UNLAWFUL ACTIONS. IPX shall not be required to sign any agreement or participate in any transaction that, in the reasonable opinion of IPX, would require IPX to engage in any unlawful or fraudulent action or would be unduly burdensome to IPX.

10.7 FEES PAYABLE TO IPX. IPX shall be entitled to receive from Cohu certain fees, as reasonably determined by IPX and Cohu, in consideration of IPX's performance of its obligations under this Agreement.

10.8 SURVIVAL OF WARRANTIES. All representations, warranties, indemnities and limitations on the liability of IPX set forth in or otherwise made pursuant to this Agreement will survive and remain in effect after the closing and the delivery and recording of any deeds, and will not be merged into those deeds, and will survive the termination of this Agreement.

10.9 ATTORNEYS' FEES. If any legal action or proceeding is commenced by any party in order to enforce this Agreement or any provision of this Agreement or in connection with any alleged dispute, breach, default or misrepresentation in connection with any provision in this Agreement, the prevailing party will be entitled to recover reasonable attorneys' fees and costs incurred in connection with that action or proceeding, including costs of pursuing or defending any legal action, discovery or negotiation and preparation of any settlement arrangements, in addition to any other relief as may be granted by the court.

10.10 NOTICES. Any request, notice or other communication to be given under this Agreement must be in writing and delivered personally or by messenger, private mail, courier service, facsimile or sent by first class mail, postage prepaid, as follows:

To Cohu:	Cohu, Inc. 5755 Kearny Villa Road San Diego, CA 92123 Attn: John Allen Facsimile: (858) 277-9412
To IPX:	IPX Camelback, LLC 2390 East Camelback Road, Suite 210 Phoenix, AZ 85016 Attn: Karin A. Church Facsimile: (602) 224-8815

All notices will be considered effective (i) upon receipt, if delivered personally or by messenger or private mail courier, (ii) on the business day of successful transmission by facsimile, (iii)

otherwise on the third business day after deposit in the US mail, postage prepaid or (iv) the next business day after deposit with a nationally recognized overnight courier service. Any party may change its address or facsimile number by a communication in accordance herewith.

11. MISCELLANEOUS PROVISIONS.

11.1 WAIVER. No failure or delay on the part of any party in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. The remedies provided hereunder are cumulative.

11.2 AMENDMENTS. No amendment, modification, termination or waiver of this Agreement or any provision hereof nor any consent to any departure herefrom shall be effective unless the same is in writing and signed by the party to be bound thereby and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

11.3 GOVERNING LAW. This Agreement and all rights and obligations of the parties hereunder shall be governed by and be construed and enforced in accordance with the laws of the Forum State. Each party hereby consents to the jurisdiction of the courts of the Forum State.

11.4 ASSIGNMENT. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. Except as set forth in Section 12.11, neither party shall have the right to assign any of its rights or interests herein without the prior written consent of the other party. No person not a party hereto is intended to be benefited by this Agreement.

11.5 SEVERABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without affecting the validity or enforceability of the remainder of this Agreement or the enforceability of such provision in any other jurisdiction.

11.6 CAPTIONS. Captions and headings used in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement.

11.7 ENTIRE AGREEMENT. This Agreement constitutes the entire Agreement between the parties and supersedes any contemporaneous or previous written or oral agreements, representations or undertakings concerning the acquisition of the Real Property. Cohu and IPX may execute other agreements to facilitate the transactions contemplated in this Agreement, but such other agreements shall not modify the parties' obligations under this Agreement. No supplement, modification or amendment to this Agreement will be binding unless signed by all parties to this Agreement. A waiver of any provisions of this Agreement will not be considered a

waiver of any other provision, whether or not similar, nor will any waiver on one occasion constitute a continuing or permanent waiver.

11.8 INCONSISTENT ACTION BY IPX. IPX agrees that it will not take any actions with respect to the Real Property that are not consistent with this Agreement, the Loan Agreement, or the Lease. IPX further agrees that at no time during the term of this Agreement shall it make an assignment for the benefit of creditors, file a petition in bankruptcy, petition or apply to any tribunal for any receiver or trustee or commence any proceeding relating to itself under any bankruptcy, reorganization, dissolution or liquidation law or statute of any jurisdiction or otherwise indicate its consent to, approval of or acquiescence of any such proceeding.

11.9 COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

11.10 CONSTRUCTION; RECITALS. In all cases, the language in all parts of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any party. The above Recitals are hereby incorporated into this Agreement by this reference.

11.11 TAX DEFERRED EXCHANGE. Cohu (or its designated assignee) shall have the right to effectuate a tax deferred exchange within the meaning of Section 1031 of the Internal Revenue Code of 1986, as amended, and the comparable provisions of any applicable state statute ("1031 Exchange"), of the Real Property, provided that such 1031 Exchange does not unreasonably delay any of the closing procedures contemplated in Section 5.1 above. IPX agrees to cooperate with Cohu or its designated assignee in order to effectuate such 1031 Exchange and Cohu agrees to indemnify, defend and hold IPX harmless from and against any and all losses, out of pocket costs, liabilities or damages suffered or incurred by IPX as a result of Cohu's participation in said 1031 Exchange. If Cohu elects to effectuate a 1031 Exchange as provided herein, IPX specifically (i) understands that the rights and responsibilities hereunder may be assigned or otherwise transferred to a qualified intermediary selected by Cohu to effectuate such 1031 Exchange, (ii) consents to any such assignment or transfer, and (iii) agrees to execute all documents reasonably required to carry out the 1031 Exchange as provided in this Section 12.11.

IN WITNESS WHEREOF, Cohu and IPX have each caused this Real Estate Acquisition Agreement to be duly executed pursuant to proper authorization as of the day and year first above written.

SIGNATURES APPEAR ON FOLLOWING PAGE

COHU: COHU, INC., a Delaware corporation

By: /s/ John H. Allen

John H. Allen
Its: Vice President, Finance and
Chief Financial Officer

IPX: IPX CAMELBACK, LLC, an Arizona
limited liability company

By: Pacific American Property Exchange
Corporation, a California
corporation

Its: Manager

By: /s/ Karin A. Church

Karin A. Church,
Assistant Vice President and
Exchange Coordinator

EXHIBIT "A"

LEGAL DESCRIPTION OF REAL PROPERTY

The Real Property is located in the City of Poway, County of San Diego, State of California and is more particularly described as follows:

Parcels 101, 102 and a portion of Parcel 103 of Parcel Map No. 16320 filed in the office of the County Recorder of San Diego County on December 10, 1990.

Said portion of Parcel 103 is described as follows:

Beginning at the Northeasterly corner of Parcel 105 of said Parcel Map 16320,

North 39(degree) 45' 33" West 618.40 feet; thence,

North 00(degree) 07' 57" East 584.60 feet; thence,

South 88(degree) 28' 24" East 290.00 feet; thence,

South 00(degree) 07' 57" West 46.94 feet; thence,

South 82(degree) 46' 00" East 506.32 feet; thence,

South 63(degree) 08' 00" East 170.54 feet; thence,

North 38(degree) 08' 00" East 253.23 feet; thence,

South 03(degree) 51' 02" West 673.92 feet; thence,

South 87(degree) 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(degree) 48' 13" a length of 344.37 feet to the point of beginning, a radial to said curve bears North 63(degree) 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.

LOAN AGREEMENT

This LOAN AGREEMENT (the "Loan Agreement") is made and entered into as of the 3rd day of July, 2000, by and between Delta Design, Inc., a Delaware corporation (the "Lender"), and IPX Camelback, LLC, an Arizona limited liability company (the "Borrower") with reference to the facts set forth in the Recitals below.

R E C I T A L S

A. Borrower is acquiring real property (the "Property") located at 12365 Crosthwaite Circle, Poway, California, 92064, and identified as the Anacomp Building. The Property is more particularly described in Exhibit "A" attached hereto.

B. Lender has agreed to make advances to Borrower to pay costs of acquiring the Property.

NOW THEREFORE, in consideration of the above recitals, the mutual covenants of the parties herein contained and other valuable consideration, the parties agree as follows:

A G R E E M E N T

SECTION 1

DEFINITIONS

1.1 "ADVANCES" shall mean the advances made by Lender to Borrower under this Loan Agreement.

1.2 "CLOSE OF ESCROW" shall mean the date Borrower takes legal, beneficial or equitable title to all or a portion of the Property.

1.3 "DEFAULT" shall mean:

(a) Any failure to pay any principal or interest under the Promissory Note when the same shall become due and payable and such failure continues for ten (10) days after notice thereof to Borrower, or the failure to pay any other sum due under the Promissory Note or this Loan Agreement as and when the same shall become due and payable and such failure continues for ten (10) days after notice thereof to Borrower. No notice, however, shall be required after maturity of the Promissory Note;

(b) Any failure or neglect to perform or observe any of the covenants, conditions or provisions of this Loan Agreement;

(c) The filing by Borrower of any proceeding under the federal bankruptcy laws now or hereafter existing or any other similar federal or state statute now or hereafter in effect; the entry of an order for relief under such laws with respect to Borrower; or the appointment of a receiver, trustee, custodian or conservator of all or any part of the assets of Borrower;

(d) The admission in writing by Borrower that Borrower is unable to pay its debts as they mature or that it is generally not paying its debts as they mature (but this provision shall not affect Borrower's respective rights to contest any real estate taxes or related assessments);

(e) The institution of any legal action or proceedings to enforce any lien or encumbrance upon any portion of the Property that is not dismissed within thirty (30) days after its institution; or

(f) The encumbrance of the Property by Borrower other than those encumbrances created by Borrower for money borrowed under this Loan Agreement.

SECTION 2

LOAN COMMITMENT; ADVANCES

2.1 Subject to the conditions herein set forth and for the purposes set forth in the Recitals, Lender agrees to loan to or for the benefit of Borrower, and Borrower agrees to draw upon and borrow funds in the manner and upon the terms and conditions herein expressed (the "Loan"). Disbursements under the Loan are referred to herein individually as an "Advance" and collectively as the "Advances."

2.2 The Loan shall be evidenced by a Promissory Note (the "Note") of Borrower, executed and delivered simultaneously with the execution of this Loan Agreement, in the form attached hereto as Exhibit "B", payable to Lender upon the terms and conditions contained therein. The Note shall be secured by a Deed of Trust (the "Deed of Trust"), in form and substance reasonably satisfactory to Borrower and Lender, encumbering the Property as a first priority lien. Lender may elect at its own cost and expense to obtain a title insurance policy ensuring the priority of the Deed of Trust.

2.3 Borrower shall have no right to any Advance other than to have the same disbursed by Lender in accordance with this Loan Agreement. Any assignment or transfer, voluntary or involuntary, of this Loan Agreement or any right hereunder shall not be binding upon or in any way affect Lender without its written consent.

2.4 Lender shall make the Advances contemplated herein and requested by Borrower in immediately available funds within three (3) business days after receipt of a written request therefor from Borrower.

SECTION 3

REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender as follows:

3.1 The recitals and statements of intent appearing in this Loan Agreement are true and correct.

3.2 Borrower is a duly organized, validly existing limited liability company and in good standing under the laws of the state of its organization and is qualified to do business and is in good standing in the State of Arizona. Borrower is not required to qualify to do business in California since Borrower will not enter into repeated and successive transactions of business in California.

3.3 Borrower has full power and authority to own its properties and assets (as legal, beneficial or equitable owner) and to carry on its business as now being conducted.

3.4 Borrower is fully authorized and permitted to enter into this Loan Agreement, to execute any and all documentation required herein, and to borrow the amounts contemplated herein upon the terms set forth herein.

3.5 No actions, suits or proceedings are pending or threatened against Borrower that might materially and adversely affect the repayment of the Loan, the performance by Borrower under this Loan Agreement or the financial condition, business or operations of Borrower.

3.6 This Loan Agreement is valid, binding and enforceable, and the execution does not conflict with laws or other agreements or contracts binding on Borrower.

SECTION 4

WAIVER

4.1 Borrower waives presentment, demand, protest and notices of protest, nonpayment, partial payment and all other notices and formalities except as expressly called for in this Loan Agreement. Borrower consents to and waives notice of: (i) the granting of indulgences or extensions of time of payment, (ii) the taking or releasing of security, and (iii) the addition or release of persons who may be or become primarily or secondarily liable for the Loan or any other indebtedness arising in connection with the Loan, or any part thereof, and all in such manner and at such time as Lender may deem advisable.

4.2 No delay or omission by Lender in exercising any right, power or remedy hereunder, and no indulgence given to Borrower, with respect to any term, condition or provision set forth herein, shall impair any right, power or remedy of Lender under this Loan Agreement, or be construed as a waiver by Lender of, or acquiescence in, any Event of Default. Likewise, no such delay, omission or indulgence by Lender shall be construed as a variation or waiver of any of the terms, conditions or provisions of this Loan Agreement. Any actual waiver by Lender of any Event of Default shall not be a waiver of any other prior or subsequent Event of Default or of the same Event of Default after notice to Borrower demanding strict performance.

4.3 Upon the occurrence of any Default and at any time while such Default is continuing, Lender may do one or more of the following:

(a) Cease upon fifteen (15) days' advance written notice making Advances and declare the entire Subordinated Loan and all other indebtedness of Borrower hereunder immediately due and payable, without notice or demand;

(b) Proceed to protect and enforce its rights and remedies under this Loan Agreement, the Note and the Deed of Trust; and

(c) Avail itself of any other relief to which Lender may be legally or equitably entitled.

SECTION 5

ACTION UPON AGREEMENT

5.1 This Loan Agreement is made for the sole protection and benefit of the parties hereto and no other person or organization shall have any right of action hereon.

5.2 This Loan Agreement embodies the entire agreement of the parties with regard to the subject matter hereof. There are no representations, promises, warranties, understandings or agreements expressed or implied, oral or otherwise, in relation thereto, except those expressly referred to or set forth herein. Borrower acknowledges that the execution and delivery of this Loan Agreement is its free and voluntary act and deed, and that said execution and delivery have not been induced by, nor done in reliance upon, any representations, promises, warranties, understandings or agreements made by Lender, its agents, officers, employees or representatives.

5.3 No promise, representation, warranty or agreement made subsequent to the execution and delivery of this Loan Agreement by either party hereto, and no revocation, partial or otherwise, or change, amendment or addition to, or alteration or modification of, this Loan Agreement shall be valid unless the same shall be in writing signed by all parties hereto.

5.4 Lender and Borrower each have separate and independent rights and obligations under this Loan Agreement. Nothing contained herein shall be construed as creating, forming or constituting any partnership, joint venture, merger or consolidation of Borrower and Lender for any purpose or in any respect.

SECTION 6

GENERAL

6.1 This Loan Agreement shall survive the making of the Advances and shall continue so long as any part of the Loan, or any extension or renewal thereof, remains outstanding.

6.2 Time is expressly made of the essence of this Loan Agreement.

6.3 Any request, notice or other communication to be given under this Loan Agreement must be in writing and delivered personally or by messenger, private mail, courier service, facsimile or sent by registered, certified mail, return-receipt requested, or postage-prepaid. All notices will be considered effective (i) upon receipt, if delivered personally or by messenger or private mail courier, (ii) on the business day of successful transmission by facsimile, (iii) otherwise on the third business day after deposit in the U.S. mail, postage- prepaid, or (iv) the next business day after deposit with a nationally recognized overnight courier

service. Any party may change its address or facsimile number by a communication in accordance herewith.

6.4 This Loan Agreement shall be governed by and construed according to the laws of the State of California.

6.5 Except as otherwise provided herein, this Loan Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their successors and assigns.

6.6 The headings or captions of sections in this Loan Agreement are for reference only, do not define or limit the provisions of such sections, and shall not affect the interpretation of this Loan Agreement.

6.7 Wherever in this Loan Agreement it shall be required or permitted that notice or any other communication be given or served by either party to this Loan Agreement to or on the other, such notice or other communication shall be deemed to have given or served if in writing, and delivered personally, or deposited in the United States mail, certified with return receipt requested, postage prepaid, addressed as follows:

Lender: Delta Design, Inc.
Attn: John H. Allen
5755 Kearny Villa Road
San Diego, CA 92123

Borrower: IPX Camelback, LLC
Attn: Karin A. Church
2390 East Camelback Road, Suite 210
Phoenix, Arizona 85016

6.8 Notwithstanding anything to the contrary in this Loan Agreement or in the Promissory Note, this is a non-recourse obligation with respect to Pacific American Property Exchange Corporation. Lender's sole source for repayment of the obligation is the Property. Pacific American Property Exchange Corporation, its directors, officers and assigns shall not have personal liability for the repayment of any amounts evidenced by the Promissory Note or for the performance or observance of any covenant, indemnification, or condition contained in this Loan Agreement or the Promissory Note. No personal deficiency judgment shall be sought or entered against Pacific American Property Exchange Corporation by the Lender as a result of any default.

IN WITNESS WHEREOF, the parties have executed this Loan Agreement as of the date indicated above.

SIGNATURES APPEAR ON FOLLOWING PAGE

BORROWER:

IPX Camelback, LLC, an Arizona limited liability company

By: Pacific American Property Exchange Corporation, a California corporation

Its: Manager

By: /s/ Karin A. Church

Karin A. Church

Its: Assistant Vice President and Exchange Coordinator

LENDER:

Delta Design, Inc., a Delaware corporation

By: /s/ John H. Allen

John H. Allen

Its: Vice President, Finance and Chief Financial Officer

EXHIBIT "A"

LEGAL DESCRIPTION OF REAL PROPERTY

The Real Property is located in the City of Poway, County of San Diego, State of California and is more particularly described as follows:

Parcels 101, 102 and a portion of Parcel 103 of Parcel Map No. 16320 filed in the office of the County Recorder of San Diego County on December 10, 1990.

Said portion of Parcel 103 is described as follows:

Beginning at the Northeasterly corner of Parcel 105 of said Parcel Map 16320,
 North 39(degree) 45' 33" West 618.40 feet; thence,
 North 00(degree) 07' 57" East 584.60 feet; thence,
 South 88(degree) 28' 24" East 290.00 feet; thence,
 South 00(degree) 07' 57" West 46.94 feet; thence,
 South 82(degree) 46' 00" East 506.32 feet; thence,
 South 63(degree) 08' 00" East 170.54 feet; thence,
 North 38(degree) 08' 00" East 253.23 feet; thence,
 South 03(degree) 51' 02" West 673.92 feet; thence,
 South 87(degree) 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(degree) 48' 13" a length of 344.37 feet to the point of beginning, a radial to said curve bears North 63(degree) 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 "B"

PROMISSORY NOTE

(as amended October 27, 2000)

\$21,288,468.05

Phoenix, Arizona

July 3, 2000

FOR VALUE RECEIVED, the undersigned IPX CAMELBACK, LLC, AN ARIZONA LIMITED LIABILITY COMPANY (the "Maker"), promises to pay to the order of DELTA DESIGN, INC., A DELAWARE CORPORATION (the "Lender"), and each subsequent transferee and/or owner of this Note, whether taking by endorsement or otherwise (the "Holder") at 5755 Kearny Villa Road, San Diego, California, 92123, or at such other place as Holder may from time to time designate in writing to Maker, the principal sum of TWENTY ONE MILLION TWO HUNDRED EIGHTY EIGHT THOUSAND FOUR HUNDRED SIXTY EIGHT DOLLARS AND 05/100 (\$21,288,468.05) or so much thereof as Holder shall have advanced to Maker, plus interest at the rate of six percent (6%) per annum, compounded annually on each annual anniversary date of this Note, on the principal balance from time to time outstanding, principal, interest and all other sums payable hereunder to be paid in lawful money of the United States of America on the Due Date (as defined herein).

"Default" has the meaning set forth in the Loan Agreement.

"Due Date" means the earlier of: (i) the sale or disposition by Maker of all of its interest in the Property, or (ii) July 3, 2001.

"Property" means the property located at 12365 Crosthwaite Circle, Poway, California, 92064, and identified as the Anacomp Building and described on Exhibit "A" to the Loan Agreement.

"Loan Agreement" means that certain Loan Agreement dated as of July 3, 2000, by and between Lender and Maker.

Other capitalized words and phrases used herein shall have the meanings set forth in the Loan Agreement.

Maker agrees to an effective rate of interest that is the rate stated above plus any additional rate of interest resulting from any changes in the nature of interest paid or to be paid by or on behalf of Maker, or any benefit received or to be received by Holder, in connection with this Note.

If any payment required under this Note is not paid within fifteen (15) days after the date such payment is due, then, at the option of Holder, Maker shall pay a "late charge" equal to four percent (4%) of the amount of that payment to compensate Holder for administrative expenses and other costs of delinquent payments. This late charge may be assessed without notice, shall be immediately due and payable and shall be in addition to all other rights and remedies available to Holder.

All payments on this Note shall be applied first to the payment of any accrued interest and then to the reduction of the principal balance.

This Note is issued pursuant to the Loan Agreement.

Time is of the essence of this Note. At the option of Holder, the entire unpaid principal balance, all accrued and unpaid interest and all other amounts payable hereunder shall become immediately due and payable thirty (30) days after written notice by Holder to Maker of the occurrence of any Default, as defined in the Loan Agreement, unless Default shall have been fully cured during such thirty (30) day period.

Maker shall have the option to prepay this Note, in full or in part, at any time without penalty.

Failure of Holder to exercise any option hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default or in the event of continuance of any existing default after demand for strict performance hereof.

Maker waives any and all formalities in connection with this Note to the maximum extent allowed by law, including (but not limited to) demand, diligence, presentment for payment, protest, notice of extension, dishonor, and nonpayment of this Note; and consents that Holder may extend the time of payment or otherwise modify the terms of payment of any part or the whole of the debt evidenced by this Note, at the request of any other person liable hereon, and such consent shall not alter nor diminish the liability of any person hereon.

Maker agrees that to the extent Maker makes any payment to Holder in connection with the indebtedness evidenced by this Note, and all or any part of such payment is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid by Holder or paid over to a trustee, receiver or any other entity, whether under any bankruptcy act or otherwise (any such payment is hereinafter referred to as a "Preferential Payment"), then the indebtedness of Maker under this Note shall continue or shall be reinstated, as the case may be, and, to the extent of such payment or repayment by Holder, the indebtedness evidenced by this Note or part thereof intended to be satisfied by such Preferential Payment shall be revived and continued in full force and effect as if said Preferential Payment had not been made.

This Note shall be binding upon Maker and its successors and assigns and shall inure to the benefit of Holder, and any subsequent holders of this Note, and their successors and assigns.

All notices required or permitted in connection with this Note shall be given at the place and in the manner provided in the Loan Agreement for the giving of notices.

This Note shall be governed by and construed according to the laws of the State of California.

Notwithstanding anything to the contrary in this Note or in the Loan Agreement, this is a non-recourse obligation with respect to Pacific American Property Exchange Corporation. Maker's sole source for repayment of the obligation is the Property. Pacific American Property Exchange Corporation, its directors, officers and assigns shall not have personal liability for the

repayment of any amounts evidenced by this Note or for the performance or observance of any covenant, indemnification, or condition contained in the Loan Agreement or this Note. No personal deficiency judgment shall be sought or entered against Pacific American Property Exchange Corporation by the Maker as a result of any default.

IN WITNESS WHEREOF, Maker has executed this Note as of the date first written above.

IPX Camelback, LLC, an Arizona limited liability company

By: Pacific American Property Exchange Corporation, a California corporation

Its: Manager

By: /s/ Karin A. Church

Karin A. Church

Its: Assistant Vice President and Exchange Coordinator

INDEMNITY AGREEMENT

This Indemnity Agreement (the "Agreement") is made and entered into as of this 3rd day of July, 2000, by and between COHU, INC., a Delaware corporation (the "Indemnitor") and IPX CAMELBACK, LLC, an Arizona limited liability company ("IPX") with reference to the following facts:

RECITALS

A. Indemnitor and IPX have entered into a certain Lease and Real Estate Purchase Option Agreement (the "Lease and Option Agreement") of even date herewith whereby IPX has agreed to acquire certain real property (the "Property") located at 12365 Crosthwaite Circle, Poway, California, 92064, and identified as the Anacomp Building.

B. In fulfilling its obligations under the Lease and Option Agreement, IPX will be entering into a certain Purchase and Sale Agreement and Escrow Instructions (the "Purchase Agreement") dated July 3, 2000

C. Certain liabilities or claims thereof may arise or be asserted against IPX solely by reason of its becoming a party to the Purchase Agreement.

D. As a result of IPX entering into the Purchase Agreement, Indemnitor is willing to indemnify IPX for any loss IPX may sustain by reason of such actions.

NOW THEREFORE, in consideration of the above recitals, the mutual covenants of the parties herein contained and other valuable consideration, the parties agree as follows:

AGREEMENT

1. Subject to all the terms and conditions of this Agreement, Indemnitor agrees to indemnify and hold IPX, its officers, directors, employees, shareholders, successors and assigns free and harmless from any and all damages IPX may sustain by reason of IPX entering into the Purchase Agreement, including but not limited to making any representation, warranty, covenant, or obligation of Indemnitor.

2. Subject to all the terms and conditions of this Agreement, Indemnitor shall indemnify and hold IPX harmless from any and all loss, costs, damages, attorneys' fees and expenses of every kind and nature which it may suffer, expend or incur under or by reason of its entering into the Purchase Agreement. Indemnitor further agrees, upon the request of IPX, to defend at Indemnitor's expense, any suit, action or proceeding which may arise in connection with entering into the Purchase Agreement.

3. IPX shall have the right at any time, when IPX shall, in its sole discretion, deem it necessary, to pay, discharge, satisfy, compromise or settle any claim made against it arising out of or in connection with entering into the Purchase Agreement. Indemnitor agrees to pay to IPX all amounts so expended upon demand.

4. Indemnitor acknowledges and agrees that IPX is undertaking a risk significantly greater than that undertaken in the normal course of providing services for tax deferred exchanges. Accordingly, Indemnitor declares its willingness to enter into this Agreement, acknowledging that, in the opinion of Indemnitor, the best interests of Indemnitor are being served.

5. In the event any party hereto brings an action to enforce this Agreement, the prevailing party shall be entitled to reasonable attorney's fees.

6. Interpretation of this Agreement shall be governed by the laws of the State of California.

7. This Agreement contains the entire agreement of the parties with respect to its subject matter and shall not be modified, except by an instrument in writing executed by all parties hereto.

8. This Agreement shall inure to the benefit of and bind the successors and assigns of the parties hereto.

9. This document may be executed in counterparts, each of which together shall be considered as an original and effective as such.

10. In witness whereof, the parties hereto have executed this Agreement as of the day and year first above written.

INDEMNITOR:	COHU, Inc., a Delaware corporation
	By: /s/ John H. Allen

	John H. Allen
	Its: Vice President, Finance and
	Chief Financial Officer
IPX:	IPX Camelback, LLC, an Arizona limited
	liability company
	By: Pacific American Property Exchange
	Corporation, a California corporation
	Its: Manager
	By: /s/ Karin A. Church

	Karin A. Church
	Its: Assistant Vice President and
	Exchange Coordinator

BASIC LEASE INFORMATION SCHEDULE

Lease Date: October 27, 2000

Landlord: IPX Camelback, LLC, an Arizona limited liability company,

Address of Landlord: 2390 E. Camelback Road, Suite 210, Phoenix, AZ 85016

Tenant: Cohu, Inc. a Delaware corporation

Address of Tenant: 5755 Kearny Villa Road, San Diego, CA 92123

Telephone: 858-541-5194

Premises: Those premises described in Exhibit B.

Term Commencement Date: October 27, 2000

Term Expiration Date: 180 Days from October 27, 2000

Base Rent: \$ 100.00 per month

Security Deposit: N/A

Permitted Uses: The Premises shall be used for all lawful purposes

The foregoing Basic Lease Information is incorporated into and made a part of this Lease. Each reference in this Lease to any of the Basic Lease Information shall mean the respective information above set forth and shall be construed to incorporate all of the terms provided under the particular Lease subsection pertaining to such information. In the event of any conflict between the Basic Lease Information and the Lease, the latter shall control.

The signatures on this Basic Lease Information Schedule constitute the parties' signatures to the entire Lease of which this is a part.

LANDLORD:

IPX Camelback, LLC, an Arizona limited liability company

By: Pacific American Property Exchange Corporation, a California corporation

Its: Sole Member

By: /s/ Karin A. Church Date: October 27, 2000

Karin A. Church, Assistant Vice President

TENANT:

Cohu, Inc., a Delaware corporation

By: /s/ John H. Allen Date: October 27, 2000

John H. Allen, VP Finance/CFO

LEASE

BETWEEN

IPX CAMELBACK, LLC

AN ARIZONA LIMITED LIABILITY COMPANY

AS LANDLORD

AND

COHU, INC.

A DELAWARE CORPORATION

AS TENANT

LEASE (C)

1. DEFINITIONS. Unless the context of this Lease shall require otherwise, the following terms as used herein shall have the following meanings:

1.1 "Basic Lease Information Schedule" shall mean and refer to the attachment to this Lease containing Basic Lease Information as provided thereon.

1.2 "Insurance" shall mean the insurance in such amounts and providing such coverage as set forth in Exhibit "A".

1.3 "Landlord" shall mean and refer to IPX Camelback, LLC an Arizona limited liability company, its successors and assigns. In any case where this Lease is signed by more than one person, the obligations hereunder shall be joint and several.

1.4 "Laws" shall mean all laws, statutes, ordinances, rules and regulations now in force or hereafter enacted or adopted, to the extent such laws affect the Premises.

1.5 "Lease" shall mean and refer to this document, the Basic Lease Information Schedule made a part hereof and any Exhibits attached hereto and incorporated herein by reference.

1.6 "Maintenance Costs" shall mean the reasonable costs incurred for the operation, maintenance, repair and management of the Premises, which costs shall include, without limitation: (i) the cost of maintaining the exterior windows, the mechanical, plumbing and electrical equipment serving buildings now or hereafter constructed on the Premises, and all roofs, foundations and outside walls of any such buildings now or hereafter constructed on the Premises, in good condition; (ii) the cost of services and utilities supplied to the Premises such as security protection, water, sewage, trash removal, fuel, electricity, heat, lighting systems, fire protection systems, storm drainage and sanitary sewer systems, HVAC (including air conditioning), cleaning, labor, materials, supplies, tools, equipment and rental of equipment, service agreements on equipment, cleaning, sweeping, striping, resurfacing of parking and driveway areas (if any); (iii) costs related to irrigation systems, landscape maintenance and signs; (iv) fees for licenses and permits required for the operation of the Premises; (v) the cost of complying with rules, regulations and orders of governmental authorities, including without limitation maintenance, alterations and repairs required in connection therewith; (vi) the cost of contesting the validity or applicability of any governmental enactments which may affect Maintenance Costs; and (vii) any other expense related to the operation, management, repair and maintenance of the Premises. It is the intent of the parties hereto that Maintenance Costs shall include every cost paid or incurred in connection with the operation, management, repair and maintenance of the Premises and the specific examples set forth in this definition are in no way intended to, and shall not, limit the costs comprising the Maintenance Costs.

1.7 "Mortgage Payments" shall mean and refer to all sums due, whether for principal, interest or penalties under any obligation secured by a Permitted Mortgage.

1.8 "Permitted Mortgage" shall mean any deed of trust or mortgage encumbering the Premises which exists as of the commencement of the Term or which is thereafter created with the prior consent of the Tenant.

1.9 "Permitted Mortgagee" shall mean the holder of a beneficial interest in a Permitted Mortgage.

1.10 "Premises" shall mean and refer to that certain improved parcel of real property located in the City of Poway, County of San Diego, State of California commonly known as 12365 Crosthwaite Circle, and more particularly described in Exhibit B together with any and all improvements of whatsoever kind located on said parcel of land.

1.11 "Rent" shall mean and refer to all sums payable by Tenant to Landlord hereunder, including but not limited to Base Rent and Additional Rent.

1.12 "Subtenant" shall mean and refer to any person or entity other than Tenant who occupies the Premises as of the date of this Lease, and to all such persons or entities to whom Tenant sublets the Premises pursuant to authority granted under this Lease.

1.13 "Taxes" shall mean and refer to all taxes and assessments levied, assessed or imposed at any time by any governmental authority upon or against the Premises (including State, County and City, if applicable, ad valorem real and personal property taxes); any tax or assessment levied, assessed or imposed at any time by any governmental authority in connection with the receipt of income or rents from said Premises to the extent that same shall be in lieu of all or a portion of any of the aforesaid taxes or assessments; any and all taxes levied assessed or imposed, and which become payable by Landlord or Tenant during the Term of this Lease, whether or not now customary or within the contemplation of the parties hereto, which are based upon, measured by or otherwise calculated with respect to the value of Tenant's equipment, furniture, fixtures or Tenant's other personal property located in the Premises, or the value of any leasehold improvements, alterations, or additions made in or to the Premises following the Term Commencement Date, regardless of whether title to such improvements, alterations or additions shall be in Tenant or Landlord; any and all other taxes or other similar charges payable by Landlord or Tenant (other than Landlord's net income, succession, transfer, gift, franchise, estate or inheritance taxes), whether or not customary or within the contemplation of the parties hereto, now in force or hereafter effective, including but not limited to: (i) taxes allocated or measured by the area of the Premises or the Rent payable hereunder; (ii) taxes upon or with respect to the use, possession, occupancy, leasing, operation and management of the Premises or any portion thereof; (iii) taxes imposed upon this transaction or any subsequent assignment or sublease of the Premises; or (iv) taxes imposed as a means of controlling or abating environmental pollution, traffic or the use of energy, or to provide for social services (such as child care) including, without limitation, parking or vehicular taxes, or other "user" fees. Tenant shall also pay, prior to delinquency, all privilege, sales, excise, use, business, occupation or other taxes, and all license fees and other charges levied upon Tenant's business operations conducted at the Premises.

1.14 "Tenant" shall mean and refer to Cohu, Inc., a Delaware corporation, Cohu, Inc.'s successors, and permitted assigns, according to the context hereof.

1.15 "Term" shall mean and refer to the period commencing on the Term Commencement Date and terminating on the Term Expiration Date shown on the Basic Lease Information Schedule, as described in Section 4.

2. LEASE OF PREMISES. Landlord, in consideration of the covenants and agreements herein contained, hereby leases to Tenant and Tenant hereby leases from Landlord the Premises.

3. USE OF PREMISES.

3.1 General. The Premises shall be used only for the Permitted Uses as set forth in the Basic Lease Information Schedule. Any change in the use of the Premises by Tenant without the prior written consent of Landlord, which consent shall not be unreasonably withheld, shall constitute a "Default" (as defined in Section 20.1).

3.2 No Representation as to Suitability. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or with respect to the suitability of the same for the conduct of Tenant's business, nor has Landlord agreed to undertake any modification, alteration or improvement to the Premises. Landlord shall grant to Tenant reasonable time and access to inspect the Premises prior to the Commencement Date, and Tenant's occupancy of the Premises after that date shall be conclusive evidence that the Premises are in good and satisfactory condition, acceptable for use by Tenant, and that Tenant so accepts the Premises. By taking possession of the Premises, Tenant accepts the Premises as being in good and sanitary order, condition and repair, and accepts the Premises in their condition existing as of the date of such possession.

3.3 Prohibited Uses and Activities.

3.3.1 Tenant shall not do or permit anything to be done in or about the Premises, nor bring or keep anything which will in any way increase the existing rate of, or affect any policy of, insurance covering the Premises or any part thereof, or cause a cancellation of any insurance policy covering the Premises, or any part thereof, or any of its contents, nor shall Tenant keep, use or sell, or permit to be kept, used or sold in or about the Premises any articles which may be prohibited by a standard form policy of fire insurance.

3.3.2 The following provisions shall apply with respect to Hazardous Materials and Tenant's responsibility with respect to Environmental Laws, as defined herein:

(1) Tenant shall permit no installation or placement of "Hazardous Material" (as defined below) on the Premises in violation of any "Environmental Laws" (as defined below). Tenant shall permit no release of Hazardous Material on to or from the Premises in violation of any Environmental Laws and Tenant shall cause the Premises to comply with all Environmental Laws and to be free and clear of any liens imposed pursuant to any Environmental Laws. Tenant shall obtain and maintain and ensure compliance with all licenses, permits and other governmental regulatory actions, if any, necessary for the Premises to comply with the Environmental Laws. Tenant shall give Landlord prompt written notice if Tenant receives any notice with respect to Hazardous Material on, from or affecting the Premises and shall conduct and complete all investigations and all clean up actions necessary to remove, in accordance with Environmental Laws, such Hazardous Material from the Premises. Notwithstanding the introduction or use of Hazardous Materials by Tenant in the ordinary course of business and in full compliance with Environmental Laws, if use of such Hazardous Materials by Tenant causes any insurance policy required to be maintained by Tenant hereunder to be cancelled or threatened to be cancelled or not be renewed, then Tenant shall immediately take all necessary actions to (i) cease the activity causing the threatened or actual cancellation or non-renewal of any such insurance policy, and (ii) reinstate the, or obtain a similar, insurance policy.

(2) Landlord shall have the right at any time during the term of this Lease, whether before or after a Default, to conduct or cause to be conducted an environmental inspection or audit of the Premises by internal personnel or by a qualified environmental consultant or engineer selected by Landlord and Tenant hereby grants to Landlord respective employees, agents and independent contractors (hereinafter collectively referred to as "Representatives"), a right to enter the Premises upon reasonable notice for the purpose of conducting, whether before or after the Default, any inspection, audit or tests, making soil borings, extracting samples, installing monitoring wells, and conducting such other procedures as Landlord and its respective Representatives deem necessary or desirable in connection with such inspection or audit. If Landlord discovers, based on such audit, any breach by Tenant of its obligations under this Section 3, Tenant will reimburse Landlord for the costs of such audit.

(3) Tenant shall indemnify and hold harmless Landlord from and against all losses, expenses (including, without limitation, attorney's fees) and claims of every kind suffered by or asserted against Landlord (except any arising out of the negligence or willful misconduct of Landlord, its agents, employees or contractors) as a direct or indirect result of (i) the presence on or release from the Premises of any Hazardous Material during the Term, whether or not caused by Tenant, (ii) the violation of Environmental Laws applicable to the Premises during the Term, whether or not caused by Tenant (iii) the requirement to conduct any remediation of Hazardous Material from the Premises during the Term, or (iv) the failure by Tenant to comply fully with the terms and provisions of this Section 3.3.

(4) For the purposes of this Lease, "Hazardous Material" means polychlorinated biphenyls, petroleum, flammable explosives, radioactive materials, asbestos, lead, and any hazardous, toxic or dangerous waste, substance or materials as defined as such in (or for purposes of) Environmental Laws or listed by the U.S. Environmental Protection Agency or any Environmental Protection agency of the State where the Premises are located. For purposes of this Lease, "Environmental Laws" means any current or future federal, state or local law, regulation or ruling applicable to environmental conditions on, under or about the Premises, as may be amended from time to time, together with any regulations adopted in publications promulgated pursuant thereto, including without limitation, the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq.; the

Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., Toxic Substances Control Act, 15 U.S.C. Section 2601, et seq., Clean Air Act, 42 U.S.C. Section 7401, et seq., and Safe Drinking Water Act, 42 U.S.C. Section 300F, et seq. and those substances defined as "hazardous waste" in any applicable state law; or as any of such terms are used or referred to in any federal law or state law, as any said above mentioned laws may be amended from time to time, and in the regulations adopted and the publications promulgated pursuant to said laws

(5) Tenant hereby acknowledges and agrees that the terms, provisions and conditions of Section 3.3.2 shall survive the expiration or termination of the Lease, the transfer of the Premises, the satisfaction of any Permitted Mortgage, and all other events relating to the Premises or the interests of Landlord and any Permitted Mortgagee therein.

3.3.3 Tenant shall not commit or suffer to be committed any waste in or upon the Premises. Tenant shall not do, or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of or neighboring properties. Tenant shall at all times cooperate with Landlord and its agents in the performance of their respective duties and responsibilities.

3.3.4 Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way violate any Law and all recorded documents affecting the Premises, insofar as the same relate to or affect the condition, use or occupancy of the Premises, and the requirements of any board of fire underwriters or other similar body now or hereafter constituted relating to or affecting the condition, use or occupancy of the Premises.

4. LEASE TERM.

4.1 Term. The Term of this Lease shall commence, subject to the terms and conditions herein, on the Commencement Date and end on the Term Expiration Date, as such dates are set forth in the Basic Lease Information Schedule unless the Term is extended or sooner terminated pursuant to the terms of this Lease.

4.2 Option Terms

4.2.1 Tenant shall have one (1) consecutive six month option to renew this Lease on the same terms and conditions.

5. ACCESS TO PREMISES.

5.1 Landlord's Access Rights. Landlord and its agents shall have, at all times, free access to the Premises for purpose of: inspecting the Premises; submitting the Premises to prospective lenders, purchasers and tenants; posting notices of non-responsibility and "for sale" and "for lease" signs; or for any other lawful purpose; provided, however, that except in case of emergency, Landlord shall give Tenant twenty-four (24) hours notice prior to entering the Premises for such purposes. All such entries shall be without abatement of any Rent due from Tenant hereunder.

5.2 Keys. For each of the aforesaid purposes, Tenant shall provide Landlord, at Landlord's request, with a key which will unlock all of the doors in, on or about the Premises, excluding Tenant's vaults and safes, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency, in order to obtain entry to the Premises. Any entry to the Premises as permitted by this Lease shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or any eviction of Tenant from the Premises or any portion thereof.

6. RENT.

6.1 Payment of Base Rent. In advance of the Commencement Date, Tenant shall pay to Landlord, without deduction or offset, except as expressly provided in this Lease, all Base Rent as

described in the Basic Lease Information Schedule due during the Term. As such Base Rent for the Term is prepaid and non-refundable in the case of early termination by Tenant. Upon any valid Option Terms of this Lease, Tenant shall pay to Landlord, without deduction or offset, except as expressly provided in this Lease, in monthly installments. Base Rent for the Option Term shall be paid on a month-to-month basis.

6.2 Additional Rent. Tenant further agrees to pay as additional rental for the Premises all Mortgage Payments, as herein defined; all Taxes, as herein defined; the cost of all premiums for Insurance as herein defined; and all Maintenance Costs, as herein defined (the "Additional Rent"). The parties expressly intend that this Lease is an absolute net lease. To the extent permitted by law (and except as otherwise expressly provided for herein) Tenant shall make all payments of Additional Rent directly to the appropriate person or entity to whom such payments are customarily made, (including without limitation the payment of Mortgage Payments directly to each Permitted Mortgagee as required by each Permitted Mortgage) and shall provide Landlord, within thirty (30) days thereafter, with proof of payment. Any Additional Rent which cannot be lawfully paid by Tenant to the person to whom such payments are customarily paid shall be paid by Tenant to Landlord within ten (10) business days of Landlord's written demand therefore, accompanied by a valid invoice for the costs in question, which demand shall be delivered by Landlord to Tenant at least thirty (30) days prior to the date any such payment would bear a late payment penalty or other similar delinquency charge, so that Landlord can make such payment in a timely manner.

6.3 Payments of Rent; Interest. The Rent and other obligations of Tenant as specified herein are cumulative and Rent hereunder shall be payable to Landlord in lawful money of the United States of America. Any payment due from Tenant to Landlord (including but not limited to Base Rent and Additional Rent) shall bear interest from the due date until paid at an annual rate (the "Interest Rate") equal to the greater of twelve percent (12%), or four percent (4%) plus the Prime Rate then announced by Bank of America, N.A. at its San Francisco Main office.

6.4 Reports of Payment of Additional Taxes. Tenant shall, within ten (10) business days after payment of Additional Taxes, provide Landlord with a written statement describing (i) the amount paid and (ii) the purpose for which such payment was made (e.g., property taxes and insurance, etc.).

7. SECURITY DEPOSIT. Landlord waives any requirement that Tenant pay, concurrently with execution hereof, any security deposit.

8. UTILITIES. Tenant shall pay for all utility charges incurred with respect to the Premises, and shall make all necessary deposits to obtain service of such utilities to the Premises.

9. ALTERATIONS; SIGNS.

9.1 Tenant's Alterations.

9.1.1 Tenant shall not make or suffer to be made any alterations, additions or improvements in, on or to the Premises as delivered to Tenant or any part thereof without the prior written consent of Landlord and each Permitted Mortgagee, which shall not be unreasonably withheld (the "Alterations"). In the event Landlord consents to the making of any such Alterations by Tenant, the same shall be made by Tenant, at Tenant's sole cost and expense, in accordance with plans and specifications approved by Landlord and each Permitted Mortgagee, which consent or approval shall not be unreasonably withheld or conditioned by either party; any contractor or person selected by Tenant to make the same shall first be approved in writing by Landlord and each Permitted Mortgagee, which consent or approval shall not be unreasonably withheld or conditioned by either party. In no event shall Tenant make any structural changes to the Premises or make any other changes to the Premises which would weaken or impair the structural integrity of the Premises. Consent of Landlord and each Permitted Mortgagee shall be deemed to have been given if neither of such parties shall object within a period of five (5) business days after actual receipt of detailed plans and specifications showing Tenant's proposed Alterations as described on detailed plans and specifications and including identification of all contractors proposed to be utilized in performing the work. The approval and consent rights of Landlord and each Permitted Mortgagee with respect to Alterations shall be limited to items that affect the building structure, the building systems or are visible from the exterior of the building or would decrease the fair market value of the Building and neither Landlord nor any Permitted

Mortgagee shall have the right to withhold consent or disapprove any Alterations that do not fall in those categories.

9.1.2 Any such Alterations, additions or improvements in, on or to said Premises, except for Tenant's movable furniture and equipment, shall immediately become Landlord's property and, at the end of the Term, shall remain on the Premises without compensation to Tenant; provided, however, that upon the expiration or sooner termination of the Term, Tenant may and shall upon demand by Landlord, at Tenant's sole cost and expense, with all due diligence remove any Alterations made by or for the account of Tenant following commencement of the Term, designated by Landlord to be removed, and Tenant shall with all due diligence, at its sole cost and expense, repair and restore the Premises to their original condition. At Landlord's election and notwithstanding the foregoing, however, Tenant shall pay to Landlord the cost of removing any such Alterations and restoring the Premises to their original condition, such cost to include a reasonable charge for Landlord's overhead and profit as provided above, and such amount may be deducted from any sums or amounts held by Landlord under this Lease.

9.2 Signs. Tenant and its successors, and any permitted subtenants and assigns shall be entitled without Landlord's consent, to maintain any currently existing signs on or about the Premises and to inscribe, paint, affix, place or permit to be placed any sign, advertisement, notice, logo or placard anywhere on the Premises without the prior consent of Landlord, so long as such signs comply in all respects with all laws, rules, and covenants affecting the Premises and are of a type reasonable and customary for first class office buildings in the metropolitan area in which the Premises are located. If Tenant installs such items without Landlord's prior consent, Tenant, at its sole expense, shall remove the same promptly upon receipt of a request from Landlord to do so within thirty (30) days following the expiration or termination of this Lease and Tenant shall promptly repair any damage arising from such removal. If Tenant fails to do so, Landlord may cause the removal and repair to be performed on Tenant's behalf at Tenant's expense, and the cost thereof shall be Additional Rent hereunder.

10. LIENS.

10.1 Premises Lien-Free. Tenant shall give Landlord not less than ten (10) business days prior written notice of the commencement of any work in or on the Premises which could lawfully give rise to a claim for mechanics, or materialmen's lien. Tenant shall keep the Premises free from liens arising out of or related to work performed, materials or supplies furnished or obligations incurred by Tenant or in connection with any Improvements. In the event that Tenant shall not, within twenty (20) days following the imposition of any such lien, cause the same to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but no obligation, to cause the same to be released by posting a bond adequate under the law of the state where the Premises are located. Landlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law, or which Landlord shall deem proper, for the protection of Landlord, each Permitted Mortgagee, the Premises, and any other party having an interest therein, from mechanics, and materialmen's liens, and.

10.2 Notice of Lien; Bond. Should any claims of lien relating to work performed, materials furnished, or obligations incurred by Tenant be filed against, or any action be commenced affecting, the Premises and/or Tenant's interest therein, Tenant shall give Landlord and each Permitted Mortgagee notice of such lien or action within three (3) days after Tenant receives notice of the filing of the lien or the commencement of the action. In the event that Tenant shall not, within twenty (20) days following the imposition of any such lien, cause such lien to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but not the obligation, to cause the same to be released by posting a bond adequate under law of the state where the Premises are located or by requiring Tenant to post for Landlord's benefit a bond, surety, or cash amount equal to one and one-half times the amount of the lien and sufficient to release the Premises from the lien. All such sums paid by Landlord, and all expenses incurred by it in connection therewith, including attorney's fees and costs shall be payable to Landlord by Tenant as Additional Rent on demand.

11. ASSIGNMENT AND SUBLETTING.

11.1 Limitations on Subletting, Assignment or Transfer. Except as permitted by Section 11.4 below, Tenant shall not (whether voluntarily, involuntarily, or by operation of law) assign, encumber, hypothecate, sublet or otherwise transfer this Lease or any interest therein (collectively, a "Transfer") without Landlord's and each Permitted Mortgagee's prior written consent in each instance, which consent may be withheld in Landlord's and each Permitted Mortgagee's sole discretion.

11.1.1 In the event that Tenant should desire to effect a Transfer of the Premises or any part thereof subject to the restrictions of Section 11.1, Tenant shall provide Landlord and each Permitted Mortgagee with written notice thereof at least thirty (30) days in advance of the date on which Tenant intends to make such Transfer. Included with such notice shall be the name and legal composition of the proposed assignee, sublessee, encumbrancer, hypothecate, or transferee (collectively, "Transferee"), a current financial statement of the Transferee, the nature of the proposed Transferee's business to be carried on in the Premises, and such other pertinent information about the Transferee which may reasonably be requested by Landlord, all in sufficient detail to enable Landlord and each Permitted Mortgagee to evaluate the risks associated with the proposed transfer.

11.1.2 Each of Landlord and each Permitted Mortgagee shall then have a period of thirty (30) days following receipt of such notice within which to notify Tenant in writing that it elects either (i) to refuse to permit the Transfer; or, (ii) to permit Tenant to enter into such Transfer. In any event, Landlord's consent to any proposed Transfer shall be conditioned upon the receipt by Landlord and each Permitted Mortgagee of a written Assumption Agreement, in a form approved by Landlord and each Permitted Mortgagee, executed by the Transferee which Assumption Agreement shall include a provision that Tenant's Transferee shall expressly assume all obligations of Tenant under this Lease, and said Transferee shall be and remain jointly and severally liable with Tenant for the performance of all conditions, covenants and obligations under this Lease from the effective date of the Transfer of Tenant's interest in this Lease.

11.1.3 The consent of both Landlord and each Permitted Mortgagee shall be required for approval of any Transfer. If Landlord or any Permitted Mortgagee should fail to notify Tenant in writing of its election within said thirty (30) day period, Landlord or such Permitted Mortgagee, as the case may be, shall be deemed to have consented to the proposed Transfer but the Transferee shall still be required to execute the Assumption Agreement.

11.2 Effect of Withholding Consent. Tenant shall not enter into any transaction subject to this Section 11 without both Landlord's and each Permitted Mortgagee's prior written consent which consent may be withheld in Landlord and each Permitted Mortgagee's sole discretion. Any transaction consummated without both Landlord's and each Permitted Mortgagee's prior written consent, or waiver, shall be void.

11.3 Tenant's Continued Obligations. Unless Landlord and Tenant agree to the contrary, any permitted Transfer hereunder by Tenant shall not result in Tenant being released or discharged from any liability or obligation under this Lease nor shall it constitute a consent with respect to any subsequent Transfer to which this section applies.

11.4 Permitted Transfers. Notwithstanding anything to the contrary contained in this Section 11, Landlord and each Permitted Mortgagee have agreed that certain Transfers, as hereinafter described in this Section 11.4, do not require the consent of either of them and may be made by Tenant without the consent of Landlord or each Permitted Mortgagee.

11.4.1 Landlord acknowledges that the Premises are occupied at the Commencement Date by one or more Subtenants. Landlord acknowledges that Tenant will enter into a sublease with Subtenants in the form of Sublease attached hereto as Exhibit D.

Initial

OR:

11.4.2 Landlord does hereby approve the execution and entering into of the sublease in the form attached hereto as Exhibit D.

Initial

11.4.3 Tenant may assign this Lease or sublease all or any portion of the Premises and/or the Personal Property to any entity which is owned by Tenant, which owns Tenant or which is owned under common control with Tenant, or to any entity into which or with which Tenant is merged or which acquires all or substantially all of Tenant's assets. No consent by either Landlord or each Permitted Mortgagee shall be required for this type of Transfer, but in no event shall Tenant or any Guarantor of Tenant's obligations under this Lease be released by said Transfer.

12. TENANT'S OBLIGATIONS.

12.1 Compliance with Rules, Regulations and Ordinances. Tenant and its employees and agents shall comply with all statutes, ordinances, rules, orders, regulations and directions relating to Tenant's occupancy and use of the Premises which are in force or applicable during the periods specified herein, issued, adopted or enacted by the federal or state governments or any department, bureau or office thereof, including without limitation all rules, orders and directions of the Fire Marshal, Fire Department and the Building Department, and any requirements or conditions of any insurance policy. Any material failure by Tenant or their employees or agents to observe and comply with any of the foregoing shall be a Default hereunder.

12.2 Maintenance and Repairs.

12.2.1 Tenant shall, at its sole cost and expense, keep and maintain the Premises, including any altered, rebuilt or additional improvements hereafter added by Tenant, in good repair and in first class appearance and condition during the Term (normal wear and tear excepted) and Tenant shall with reasonable promptness make all structural and non-structural foreseen and unforeseen, ordinary and extraordinary changes and repairs of every kind and nature which may be required to be made upon or in connection with the Premises or any part thereof in order to keep and maintain same in good repair and in first class appearance and condition.

12.2.2 Landlord shall not be required to maintain, repair or rebuild, or to make any alterations, replacements or renewals of any nature or description to Premises, or any part thereof, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to maintain same or any part thereof, and Tenant hereby expressly waives any right to make repairs or to provide maintenance at the expense of Landlord as may be provided for in any statute, ordinance, rule or regulation in effect at the time of execution of this Lease, or at any time during the Term and not set forth in this Lease as the responsibility of the Landlord.

12.3 No Nuisance. Tenant shall not use or occupy the Premises or permit same to be used or occupied, in any manner which would violate any certificate of occupancy affecting the Premises or which would cause structural damage to the Premises or which would constitute a public or private nuisance or waste.

13. PERFORMANCE OF LANDLORD'S OBLIGATIONS.

13.1 Performance of Landlord's Obligations. Landlord shall not be responsible for its failure to perform in whole or in part any obligation set forth herein if occasioned directly or indirectly by natural disaster, labor unrest, insurrections, Acts of God, enforcement of any Laws, or any cause, or circumstance not reasonably subject to its control which prevents or hinders the performance of its obligations.

13.2 Landlord's Default. Landlord shall not be in default under this Lease unless Tenant shall have given Landlord written notice of the breach, and, within thirty (30) days after notice, Landlord has not cured the breach or, if the breach is such that it cannot reasonably be cured under the circumstances within thirty (30) days, has not commenced diligently to prosecute the cure to completion. In the event of any Default (or any act or circumstance which with the giving of notice or the passage of time, or both, could become a Default) on the part of Landlord under this Lease, Tenant shall give notice by certified mail to each Permitted Mortgagee and any beneficiary of a deed to secure debt or mortgage encumbering the Premises, whose address shall have been furnished to it, and shall offer such beneficiary or mortgagee a reasonable opportunity to cure the Default beyond any cure period available to Landlord hereunder, including time to obtain possession of the Premises by power of sale or judicial foreclosure, if such should prove necessary to affect a cure.

14. INSURANCE AND INDEMNIFICATION.

14.1 Waiver of Liability. Landlord shall not be liable to Tenant and Tenant hereby waives all claims against Landlord for any injury or damage to any person or property in or about the Premises by or from any cause whatsoever, (other than Landlord's gross negligence or willful misconduct).

14.2 Tenant's Indemnification. Tenant shall hold Landlord harmless from and defend Landlord against any and all claims or liability (except that Tenant shall not be liable under such indemnification with respect to any claim or liability resulting from the gross negligence or willful misconduct of Landlord) for any injury or damage to any person or property whatsoever occurring in, on or about the Premises or any part thereof whether or not such injury or damage shall be caused by the act, neglect, fault of or omission of any duty with respect to the same by Tenant, its agents, servants, employees or invitees. Tenant shall further indemnify and save harmless Landlord against and from any and all claims by or on behalf of any person, firm or corporation arising from the conduct or management of any work or thing whatsoever done by or on behalf of Tenant in or about or from transactions of Tenant concerning the Premises. Tenant will further indemnify and save Landlord harmless against and from any and all claims arising from any breach or default on the part of Tenant in the performance of any covenant or agreement on the part of Tenant to be performed pursuant to the terms to this Lease or arising from any act or negligence of Tenant, or any of its agents, contractors, servants, employees or licensees, and from and against all costs, counsel fees, expenses and liabilities incurred in connection with any such claim or action or proceeding brought thereon. In case any action or proceeding is brought against Landlord by reason of any claims or liability within the limits of the foregoing indemnity, Tenant shall defend such action or proceeding at Tenant's sole expense by counsel reasonably satisfactory to Landlord. Tenant shall not be liable under such indemnification to the extent that insurance proceeds from insurance actually carried by Landlord are made available with respect to such item.

14.3 Survival. The provisions of this Section 14 shall survive the expiration or termination of this Lease with respect to any claims or liability, or acts or occurrences subsequently creating or giving rise to such claims or liability, occurring prior to such expiration or termination.

14.4 Insurance. Tenant shall maintain the insurance policies required under Exhibit A to this Lease. In the event Tenant fails to pay any premium required by such insurance carriers and Landlord elects to pay such premium in order to keep the applicable policy in force, Landlord shall notify Tenant of such payment and the amount paid shall be payable by Tenant as additional rent with the next installment of rent due.

15. WAIVER OF SUBROGATION. To the extent permitted by law and without affecting the coverage provided by insurance required to be maintained hereunder, Landlord and Tenant each waive any right to recover against the other (i) damages to both real and personal property, (ii) damage to the Premises or any part thereof, or (iii) claims arising by reason of the foregoing, the parties hereby agreeing that with respect to property damage the parties shall look solely to the insurance required to be carried by Tenant pursuant to this Lease. Tenant shall cause all insurance carriers issuing policies required hereunder to waive all rights of subrogation with respect to property damage. This provision is intended to waive fully, and for the benefit of each party, any rights and/or claims which might give rise to a right of subrogation on any insurance carrier. The coverage obtained by each party pursuant to this Lease shall include, but without limitation, a waiver of subrogation by the carrier which conforms to the provisions of this Section 15.

16. DAMAGE OR DESTRUCTION.

16.1 Damage or Destruction to Risk Covered by Insurance. If, during the term of this Lease, the Premises are totally or partially destroyed, rendering the Premises totally or partially inaccessible or unusable, Tenant shall immediately restore the Premises to substantially the same condition as they were in immediately before such destruction, whether or not available insurance proceeds are sufficient to cover the actual cost of restoration. Such destruction shall not terminate this Lease.

16.2 Adjustment of Major Loss; Insurance Trustee.

16.2.1 If, during the term of this Lease, the Premises are destroyed from a risk covered by Insurance described in EXHIBIT A, and the total amount of loss exceeds 33 1/3% of the replacement cost of the Premises, Tenant shall make the loss adjustment with the insurance company insuring the loss, and upon receipt of the proceeds shall immediately pay them to an insurance trustee mutually agreeable to both parties (the "Insurance Trustee"). If the amount of the loss is less than 33 1/3% of the replacement cost of the Premises, the proceeds shall be paid directly to Tenant and applied by Tenant to the restoration costs of the Premises.

16.2.2 If the Premises are destroyed and the available insurance proceeds are not adequate to pay all restoration costs, Tenant shall deposit with the Insurance Trustee an amount, if any, which, when added to available insurance proceeds, will fully cover the cost of restoration. All sums deposited with the Insurance Trustee shall be held by it for the following purposes and the Insurance Trustee shall have the following powers and duties:

(1) The sums shall be paid by the Insurance Trustee in installments to the contractor retained by the Tenant, as construction progresses, for payment of the cost of restoration. A ten percent (10%) retention fund shall be established which shall be paid to the contractor upon completion of restoration, the issuance of any requisite governmental permits for use and occupancy of the restored premises (e.g., Certificate of Occupancy), payment of all costs, expiration of all applicable lien periods and proof that the Premises are free of all mechanics' liens and lienable claims.

(2) Payments shall be made upon presentation of certificates or vouchers from the architect or engineer retained by Tenant (such architect or engineer selected with Landlord's prior written consent, which shall not be unreasonably withheld) which shall show the amount due.

(3) If the sums held by the Insurance Trustee are not sufficient to pay the actual cost of restoration, Tenant shall deposit the amount of the deficiency with the Insurance Trustee within twenty (20) days after request by the Insurance Trustee indicating the amount of the deficiency.

(4) Any sums not disbursed by the Insurance Trustee after restoration has been completed and final payment has been made, shall within ten (10) days after demand by Tenant, be paid to Tenant.

(5) All reasonable actual costs and charges of the Insurance Trustee shall be paid by Tenant.

(6) If the Insurance Trustee resigns or for any reason is unwilling to act or continue to act, Landlord shall substitute a new trustee in the place of the designated Insurance Trustee. The new Insurance Trustee shall be either an institutional lender or title company doing business in the city where the Premises are located.

(7) Both parties shall promptly execute all documents and perform all acts reasonably required by the Insurance Trustee to perform their obligations under this Section.

16.3 Procedure For Restoring Premises. Within forty-five (45) days after Tenant becomes obligated to restore the Premises, Tenant shall at its cost cause to be prepared final plans and specifications and working drawings complying with applicable laws that will be necessary for the restoration of the Premises and shall submit same to Landlord and each Fee Interest Mortgagee for approval, which shall not be unreasonably withheld or conditioned and which shall be deemed given to the extent that Landlord or any Fee Interest Mortgagee does not respond within five (5) business days of the submission of such plans and specifications.

17. EMINENT DOMAIN.

17.1 Taking of Premises. If any material part of the Premises shall be taken or appropriated under the power of eminent domain or conveyed in lieu thereof, either party shall have the right to terminate this Lease; provided, however, that until the indebtedness secured by any Permitted Mortgage has been paid in full, no party hereto shall have the right to terminate this Lease. In the event of such taking, the party desiring to exercise its option shall give to the other written notice of its exercise of this option within ten (10) days after it receives information that a court proceeding has been commenced to take the Premises by power of eminent domain.

17.2 Rights of Parties to Condemnation Award. Subject to the prior rights of each Permitted Mortgagee under any Permitted Mortgage, Landlord shall receive (and Tenant shall assign to Landlord upon demand from Landlord) any income, rent, award or any interest therein which may be paid in connection with the exercise of such power of eminent domain.

17.3 Temporary Taking. Notwithstanding anything to the contrary contained in this Section 16, if the temporary use or occupancy of any part of the Premises shall be taken or appropriated under power of eminent domain during the Term, this Lease shall be and remain in full force and effect; and Tenant shall restore the Premises at the end of such temporary taking to their condition prior to such taking. In the event of any such temporary appropriation or taking, Landlord shall be entitled, subject to the prior rights of each Permitted Mortgagee, to receive any award which represents compensation for the use of or occupancy of the Premises during the Term, and that portion of any award which represents the cost of restoration of the Premises.

18. ESTOPPEL CERTIFICATE. Within ten (10) days following any written request which Landlord may make from time to time, Tenant shall execute and deliver to Landlord and/or each Permitted Mortgagee a certificate substantially in the form attached hereto as Exhibit "C" indicating thereon any exceptions thereto which may exist at that time. Failure by Tenant to execute and deliver such certificate shall constitute an acceptance of the Premises and acknowledgment by Tenant that the statements included in Exhibit "C" are true and correct without exception. Landlord and Tenant intend that any statement delivered pursuant to this Section may be relied upon by any mortgagee, beneficiary, grantee, purchaser or prospective purchaser of the Premises. Landlord shall have the right to substitute in place of the attached Exhibit "C" a certificate in form required by Landlord's mortgagee or provider of financing.

19. SUBORDINATION; ATTORNMEN. This Lease shall be subject and subordinate at all times to the lien of any mortgage security deed, or deed to secure debt which may now exist or hereafter be executed in any amount for which said Premises, or Landlord's interest or estate therein is specified as security, if and only if the holder of such security deed or mortgage shall execute a subordination, non-disturbance and attornment agreement, in form and substance reasonably satisfactory to Tenant, in which such holder agrees not to disturb the possessory rights of Tenant (or a Subtenant under any authorized

sublease) and to honor the duties and obligations of Landlord which arise after the date such holder takes title and to recognize the rights of Tenant under this Lease and any Subtenant under any authorized sublease so long as that party is not in default. Notwithstanding the foregoing, each Permitted Mortgagee shall have the right to subordinate or cause to be subordinated any such liens to this Lease and such subordination shall be subject to any lienholder other than each Permitted Mortgagee executing a non-disturbance and attornment agreement in form and substance reasonably satisfactory to Tenant in which such holder agrees not to disturb the possessory rights of Tenant and any Subtenant and to honor the duties and obligations of Landlord under this Lease which arise after such holder takes title to the Premises. In the event that any mortgage or deed to secure debt is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall, notwithstanding any subordination, attorn to and become the tenant of the successor in interest to Landlord at the option of such successor in interest, provided that such successor recognizes Tenant's rights under this Lease from and after the date of such foreclosure or deed in lieu thereof pursuant to a subordination and non-disturbance agreement as aforesaid. Tenant shall execute and deliver, upon demand by Landlord or any Permitted Mortgagee and in the form reasonably requested by Landlord and/or such Permitted Mortgagee, any additional documents evidencing the priority or subordination of this Lease with respect to the lien of any such mortgage or deed to secure debt; provided, however that such mortgagee, holder or beneficiary agrees in writing that this Lease shall not be terminated in the event of any foreclosure if Tenant is not in default under this Lease at the time of such foreclosure pursuant to a subordination and non-disturbance agreement as aforesaid. At the request of Landlord or any Permitted Mortgagee, Tenant shall provide to Landlord and each Permitted Mortgagee its current annual report containing a financial statement or other information disclosing Tenant's financial worth which Landlord shall use solely for purposes of this Lease and in connection with the ownership, management and disposition of the Premises. In the event that Tenant fails to execute and deliver in a timely manner, and without charge, such further documents as may be reasonably requested by any Permitted Mortgagee to which this Lease is hereby made subordinate, such failure shall constitute a Default, as hereafter defined, by Tenant hereunder.

20. DEFAULT BY TENANT.

20.1 Events of Default. The occurrence of any of the following shall constitute an event of default on the part of Tenant (hereinafter referred to as a "Default").

20.1.1 Nonpayment of Rent. Failure to pay any installment of Rent due and payable hereunder (or failure to pay any other amount required to be paid hereunder, all such obligations to be construed as the equivalent of obligations for payment of Rent) within five (5) business days of the date when said payment is due, such failure continuing without cure by payment of the delinquent Rent and late charge (if applicable) for a period of five (5) business days after Landlord's written notice and demand specifying such failure to pay; provided, however that Landlord shall be obligated to give such written notice not more than one time in any twelve (12) month period and thereafter for the next twelve months no notice shall be required as a condition to Tenant's default for failure to pay Rent. The due dates for payment of installments of Rent provided for herein shall be absolute and the existence of a cure period or notice period shall not be deemed to extend said date for purposes of determining Tenant's compliance with its obligations hereunder.

20.1.2 Other Obligations. Failure to perform any material obligations, agreement or covenant under this Lease (other than that matter specified in subsection 1 of this subsection 19.1) whether or not identified as a Default hereunder, such failure continuing for thirty (30) days after Landlord shall have given to Tenant written notice specifying such failure, provided however, that if the default complained of shall be of such a nature that the same cannot be completely remedied or cured within such thirty (30) day period, then such failure shall not be an enforceable Default against Tenant for the purposes of this Paragraph if Tenant shall have commenced curing such Default within such thirty (30) day period and shall proceed with reasonable diligence and in good faith to remedy the default complained of and, in any event, such Default is cured within ninety (90) days;

20.1.3 General Assignment. A general assignment by Tenant for the benefit of creditors;

20.1.4 Bankruptcy. The filing of any voluntary petition in bankruptcy by Tenant, or the filing of an involuntary petition by Tenant's creditors which involuntary petition remains undischarged for a period of thirty (30) days. In the event that under applicable law the trustee in bankruptcy or Tenant have the right to affirm this Lease and continue to perform the obligations of Tenant hereunder, such trustee or Tenant shall, in such time period as may be permitted by the bankruptcy court having jurisdiction, cure all defaults of Tenant hereunder outstanding as of the date of the affirmation of this Lease and provide to Landlord such adequate assurances as may be necessary to ensure Landlord of the continued performance of Tenant's obligations under this Lease. In the event the trustee in bankruptcy or the Tenant have the right to reject this Lease, if such rejection is not made within sixty (60) days after the date of the order for relief, or within such additional time as the court may, for cause, within such sixty (60) day period, fix, then the Lease shall be deemed rejected, and the trustee in bankruptcy or Tenant shall immediately surrender the Premises to the Landlord.

20.1.5 Receivership. The engagement or appointment of a receiver to take possession of substantially all of Tenant's assets or the Premises, if such receivership remains undismissed or undischarged for a period of thirty (30) business days after creation thereof;

20.1.6 Attachment. The attachment, execution or other judicial seizure of all or substantially all of Tenant's assets or the Premises, if such attachment or other seizure remains undismissed or undischarged for a period of thirty (30) business days after the levy thereof;

20.1.7 Insolvency. The admission by Tenant in writing of its inability to pay its debts as they become due, the filing by Tenant of a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, the filing by Tenant of an answer admitting or failing timely to contest a material allegation of a petition filed against Tenant in any such proceeding or, if within thirty (30) days after the commencement of any proceeding against Tenant seeking any reorganization or arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceeding shall not have been dismissed.

20.1.8 Transfer. Any Transfer in violation of the terms of Section 11 of this Lease.

20.2 Remedies Upon Default.

20.2.1 Notice. Tenant waives any right to notice Tenant may have under Section 1951.3 of the Civil Code of the State of California, the terms of this Section 19 being deemed such notice to Tenant as required by said Section 1951.3.

20.2.2 Termination. In the event of the occurrence of any Default, Landlord shall have the right immediately to terminate this Lease, and at any time thereafter recover possession of the Premises or any part thereof and expel and remove therefrom Tenant and any other person occupying the same, by any lawful means, and again repossess and enjoy the Premises without prejudice to any of the remedies that Landlord may have under this Lease, or at law or equity by reason of Tenant's Default or of such termination.

20.2.3 Continuation After Default. Even though Tenant has breached this Lease and/or abandoned the Premises, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession under Section 19.3 hereof, and Landlord may enforce all its right and remedies under this Lease, including (but without limitation) the right to recover Rent as it becomes due; and Landlord, without terminating this Lease, may exercise all of the rights and remedies of a landlord under Section 1951.4 of the Civil Code of the State of California or any successor code section. Neither acts of maintenance, preservation or efforts to lease the Premises, nor the appointment of a receiver upon application of Landlord to protect Landlord's interests under this Lease nor other efforts of Landlord to mitigate damages caused by a Default by Tenant, nor the acceptance of Rent shall constitute a waiver of any of Landlord's rights and remedies or an election to terminate Tenant's right to possession.

20.2.4 Reletting Premises. Landlord may, at Landlord's election, re-enter the Premises and without terminating this Lease, and at any time and from time to time, relet the Premises or any part thereof for the account and in the name of Tenant or otherwise. Landlord may, at Landlord's election, eject Tenant or any of Tenant's subtenants, assignees or other person claiming any right in or through this Lease. Tenant shall nevertheless pay on the due dates specified in this Lease all Rent and other sums required to be paid by Tenant, plus Landlord's expenses incurred in retaking possession, repairing the Premises, and obtaining new tenants, including brokerage commissions and attorneys' fees, less the proceeds of any sublease or reletting. No act by Landlord under this subsection 19.2.4 shall constitute a termination of the Lease unless Landlord gives Tenant written notice of termination. Notwithstanding any prior reletting without termination, Landlord may later elect to terminate this Lease due to Tenant's Default.

20.3 Damages Upon Termination. Should Landlord terminate this Lease pursuant to the provisions of Section 19.2.2 hereof, Landlord shall have all the rights and remedies of a landlord provided by Section 1951.2 of the Civil Code of the State of California, or any successor code section. Upon such termination, in addition to any other rights and remedies to which Landlord may be entitled under applicable law, Landlord shall be entitled to recover from Tenant:

20.3.1 the worth at the time of award of the unpaid Rent and other amounts which had been earned at the time of termination;

20.3.2 a sum which, at the date of such termination, equals the worth at the time of the award of the rental and all other sums which would have been due and payable by Tenant hereunder for the remainder of the Term, but if Landlord elects to exercise this remedy, Landlord and Tenant agree that the amounts set forth in Section 19.3.1 and this Section 19.3.2 constitute a good faith reasonable estimate of the damages which might be suffered by Landlord upon the occurrence of a Default and that it is impossible to estimate more precisely such damages. Tenant's receipt of the aforesaid amount is intended not as a penalty but as full liquidated damages; and,

0.0.1 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, including, without limitation, the reasonable costs and expenses incurred by Landlord for retaking possession of the Premises, cleaning and making repairs and alterations necessary to return the Premises to good condition and preparing the Premises for reletting, removing transporting and storing Tenant's property left at the Premises (although Landlord shall have no obligation to do so), and reletting the Premises, including all costs incurred in connection with such reletting.

The "worth at the time of award" of the amounts referred to in (i) and (ii) shall be computed with interest at the lesser of eighteen percent (18%) per annum or the maximum rate allowed by law. The "worth at the time of award" of the amount referred to in (iii) shall be computed by reference to competent appraisal evidence or the formula prescribed by and using the lowest discount rate permitted under applicable law.

The foregoing limitation of remedies in the event of Landlord's termination of the Lease on Tenant's default is without prejudice to Landlord's and each Permitted Mortgagee's right to enforce Tenant's indemnity obligation with respect to claims, damages and liabilities resulting to Landlord and/or any Permitted Mortgagee by or through Tenant's use and occupancy of the Premises.

20.4 Remedies Cumulative. All rights, privileges and elections or remedies of the parties are cumulative and not alternative to the extent permitted by law and except as otherwise provided herein.

20.5 Each Permitted Mortgagee's Consent Required for Termination. Notwithstanding anything herein to the contrary, Landlord and Tenant acknowledge that so long as any Permitted Mortgage remains outstanding, this Lease shall not be terminated by either Landlord or Tenant without the prior written consent of each Permitted Mortgagee and any attempt to terminate this Lease without each Permitted Mortgagee's prior written consent shall be null and void. If this Lease is terminated as a matter of law or otherwise while any Permitted Mortgage remains outstanding, Tenant agrees promptly to enter into a new Lease with the then owner of the Premises on substantially the same terms as in this Lease and upon the request of such owner or any Permitted Mortgagee. Each Permitted Mortgagee shall be considered a third

party beneficiary of this Lease for the purpose of enforcing this and each other provision hereof which expressly or implicitly benefits that Permitted Mortgagee.

21. SALE BY LANDLORD AND TENANT'S REMEDIES. In the event of a sale or conveyance of the Premises by Landlord, the same shall operate to release Landlord from any future liability for any of the covenants or conditions, express or implied, herein contained in favor of Tenant, and in such event Tenant agrees to look solely to the responsibility of the successor in interest of Landlord in and to this Lease. This Lease shall not be affected by any such sale and Tenant agrees to attorn to the purchaser or assignee.

22. RIGHT OF LANDLORD TO PERFORM. All covenants and agreements to be performed by Tenant under the terms of this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement of Rent. If Tenant shall fail to pay any sum of money, other than Base Rent, required to be paid by them hereunder or shall fail to perform any other act on their part to be performed hereunder, and such failure shall continue after notice thereof by Landlord and the expiration of the applicable cure period provided in Section 19, above, Landlord may, but shall not be obligated to do so, and without waiving or releasing Tenant from any obligations of the Tenant, make any such payment or perform any such act on the Tenant's part to be made or performed. All sums so paid by Landlord and all necessary incidental costs together with interest thereon from the date of such payment by the Landlord at the rate of eighteen percent (18%) per annum or the maximum annual rate permitted by law (whichever is less), shall be payable as Additional Rent to Landlord on demand, and Tenant covenants to pay such sums, and Landlord shall have, in addition to any other right or remedy of Landlord, the same right and remedies in the event of the nonpayment thereof by Tenant as in the case of default by Tenant in the payment of the Rent.

23. SURRENDER OF PREMISES.

23.1 Surrender of Premises. At the end of the Term or any renewal thereof or other sooner termination of this Lease, Tenant shall peaceably deliver up to Landlord possession of the Premises, together with all improvements, fixtures or additions thereto by whomsoever made, broom clean, trash free and in the same condition as received, or first installed, normal wear and tear excepted. All Alterations shall be subject to the terms of Section 9.1. Tenant may, upon the termination of this Lease, remove all movable furniture and equipment belonging to the Tenant, at Tenant's sole cost, repairing any damage caused by such removal. Property not so removed shall after notice from Landlord be deemed abandoned by the Tenant and title to the same shall thereupon pass to Landlord, and Landlord may thereafter dispose of the same as it deems appropriate. In order to comply with its obligations stated in the first sentence of this Section Tenant shall, if necessary, repair any damage to parking areas, driveways, landscaping, and all exterior and interior parts of any building on the Premises when required by and to the reasonable satisfaction of Landlord, and at Tenant's sole cost and expense.

23.2 No Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subleases or subtenancies or may, at the option of Landlord, operate as an assignment to it of any or all such subleases or subtenancies.

23.3 Holdover. If Tenant retains possession of the Premises or any part thereof after the end of the Term pursuant to the anticipated expiration date or earlier termination of this Lease, then such tenancy shall be deemed to be of a month-to-month tenancy, upon the terms, provisions and conditions set forth in this Lease; provided, however, that the monthly Base Rent payable under Section 6.1 during any holdover period shall be equal to two hundred (200%) of the Base Rental being paid monthly to Landlord under this Lease immediately prior to such expiration or termination.

24. WAIVER. No covenant, term or condition herein, or the breach thereof, shall be deemed waived, except (i) as herein specifically provided, or (ii) if not specifically provided, by written consent of the party against whom the waiver is claimed. If either Landlord or Tenant waive the performance of any term, covenant or condition contained in this Lease, such waiver shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition contained herein. The acceptance of Rent by Landlord shall not constitute a waiver of any preceding breach or Default by Tenant of any term, covenant or condition of this Lease, regardless of Landlord's knowledge of such preceding breach or Default.

at the time Landlord accepted such Rent. The acceptance by Landlord of any sum less than that which is required to be paid by Tenant shall not constitute an accord and satisfaction notwithstanding any provisions to the contrary written on any check or contained in any letter of transmittal. Failure by Landlord to enforce any of the terms, covenants or conditions of this Lease for any length of time, or efforts by Landlord to mitigate damages caused by any Default of Tenant, shall not constitute a waiver of Landlord's right to recover damages for any Default nor shall it be deemed to waive or to decrease the right of Landlord to insist thereafter upon strict performance by Tenant.

25. NOTICES. All notices and demands which may or are required to be given by either party to the other hereunder shall be in writing, sent by United States, certified mail, postage prepaid, return receipt requested, or by overnight courier service prepaid for next day delivery (such as DHL, UPS or Federal Express) addressed to the parties as set forth in the Basic Lease Information Schedule, or to such other place as each of them may from time to time designate in a notice to the other, and deemed delivered two (2) business days after mailing (except in the case of overnight courier delivery, which shall be deemed delivered the following weekday). Any notice required to be made to a Permitted Mortgagee hereunder shall be addressed to that Permitted Mortgagee at the address provided to the Tenant by that Permitted Mortgagee pursuant to the terms hereof.

26. SUCCESSORS/ASSIGNS; DEATH OR INCAPACITY OF TENANT. Subject to the provisions of Section 11 hereof, the terms, covenants and conditions contained herein shall be binding upon and inure to the benefit of the heirs, successors, executors, administrators and assigns of the parties hereto.

27. ATTORNEYS' FEES. In the event that any action or proceeding is brought to enforce or interpret any term, covenant or condition of this Lease by or on behalf of either party, the prevailing party in such action shall be entitled to reasonable attorneys' fees, in addition to such court costs, to be awarded by the court in such action or proceeding.

28. MISCELLANEOUS.

28.1 Section Captions. The captions of the Sections herein are for convenience of reference and shall in no way define, increase, limit or describe the scope or intent of any provision of this Lease.

28.2 Definitions. The terms "Landlord" and "Tenant" shall include the plural as well as the singular. Words used in neuter gender include the masculine and feminine, and words in the masculine and feminine include the neuter. As to any Tenant which consists of a husband and wife, the obligations hereunder shall extend individually to their sole and separate property as well as community property. The term "Landlord" shall mean only the fee title owner or owners of the Premises at the time in question. The words "agent" and the meaning of the term "agency" shall be deemed to include the agents, employees, servants, invitees, contractors, successors, guests, customers, subcontractors, representatives, partners, affiliated companies, and any other person or entity related in any way to the respective party. The words "person" or "persons" shall mean individuals, partnerships, firms, associations, corporations, or other legal entities.

28.3 Time; Joint And Several Liabilities and Remedies. Time is of the essence of this Lease and all of its provisions. All of the terms, covenants and conditions contained herein to be performed by either party, if such party shall consist of more than one person, shall be deemed to be joint and several, and all rights and remedies of the parties shall be cumulative and nonexclusive of any other remedy at law or in equity.

28.4 Choice of Law; Venue. This Lease shall in all respects be governed by the laws of the State of California. Any legal proceeding with respect to this Lease shall be held in the Superior Court of the County in which the Premises are located.

28.5 Integration of Agreements. This Lease, together with the Basic Lease Information Schedule, its exhibits, contains all the agreements of the parties hereto (with respect only to the subject matter contained herein) and supersedes any previous or contemporaneous negotiations or agreements, whether

written or oral. Any agreements, warranties or representations dealing with the subject matter contained herein not expressly contained herein shall in no way bind either Landlord or Tenant, and Landlord and Tenant expressly waive all claims for damages by reason of any statement, representation, warranty, promise or agreement (if any) not contained in this Lease.

28.6 Amendments. This Lease may not be modified or amended except by written instrument signed by the parties hereto.

28.7 Severability. If for any reason whatsoever any of the provisions hereof shall be determined by a court of competent jurisdiction to be invalid or unenforceable, all of the other provisions shall be and remain in full force and effect; provided, however, if Tenant's obligation to pay Rent, or any other sum due hereunder, is determined to be invalid or unenforceable, the Landlord shall have the option to thereafter terminate this Lease.

28.8 Consent; Reasonableness. Except as set forth herein, whenever the consent or approval of any party to the actions of another party is required hereunder, such consent or approval shall not be unreasonably withheld. Notwithstanding the foregoing, where Tenant is required to obtain the consent of Landlord to do any act, or to refrain from the performance of any act, Tenant agree that if they are in default with respect to any term, condition, covenant or provision of this Lease, or if Landlord reasonably asserts that Tenant is in default, then Landlord shall be deemed to have acted reasonably in withholding its consent if such consent is, in fact, withheld.

28.9 No Partnership Or Joint Venture. Nothing in this Lease shall be construed as creating a partnership or joint venture between Landlord and Tenant, or cause Landlord to be responsible for the debts or obligations of Tenant or any other party.

28.10 Exhibits. Each and all exhibits to this Lease shall be deemed to be incorporated herein by reference, and shall be a part of this Lease as if set forth in full in the body hereof.

xxxxxxxxxxxxxxxxxxxx

The signatures on the Basic Lease Information Schedule shall constitute the parties' signatures to the entire Lease.

EXHIBIT "A"
INSURANCE

The Tenant shall maintain in effect at all times from the date of commencement of the Term to the date of termination of this Lease insurance coverages with limits not less than those set forth below with insurers licensed, authorized or approved to do business in the State where the Premises are located and under forms of policies satisfactory to Landlord.

- A. Comprehensive General Liability
- | | |
|-------------------------------|--|
| Bodily Injury/Property Damage | \$1,000,000.00 each occurrence or equivalent/aggregate |
|-------------------------------|--|

These policies shall be on a form reasonably acceptable to Landlord endorsed to include the Landlord and any beneficiary of any deed of trust or mortgagee of any mortgage secured by the Premises, (collectively, "Insured Parties") as additional insureds, and shall state that the insurance coverage provided is primary with respect to the Premises as regards any other insurance carried by said parties. The policy shall include the following coverages:

- (1) Independent Contractors
- (2) Broad Form Comprehensive General Liability
- (3) Broad Form Personal Injury Liability including contractual coverage to conform in all respects of item (2) above
- (4) Removal of any "x", "c", and "u" exclusion from their operations coverage
- (5) Severability of Interests clause.

B. Comprehensive Automobile Liability.

- | | |
|--------------------|--|
| a. Bodily Injury | \$250,000.00 each person
\$500,000.00 each occurrence or equivalent |
| b. Property Damage | \$100,000.00 each occurrence or equivalent |

This policy shall provide coverage for all owned, hired, and non-owned automobiles used by Tenant.

C. Umbrella/Excess Liability Insurance.

- | | |
|--------------------------------------|---|
| a. Bodily Injury/
Property Damage | \$ 3,000,000 per occurrence
\$ 3,000,000 aggregate |
|--------------------------------------|---|

This policy shall be written on an umbrella/excess basis (but in no event shall coverage be less than primary coverages as described in Paragraphs A, B and C, and shall name the Insured Parties as additional insureds.

D. Fire and Extended Coverage Insurance (if Improvements are constructed)

Coverage:	Actual Replacement Value
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The policy shall include vandalism and malicious mischief endorsements and shall be endorsed to include the Insured Parties as additional insureds.

E. Certificate of Insurance. Evidence of the insurance coverage described in the above Paragraphs shall be represented by certificates of insurance in form satisfactory to Landlord issued by the insurance carrier and shall be furnished to the Landlord upon commencement of the Term. Such certificates of insurance shall state that Landlord will be notified in writing by the insurance carrier at least thirty (30) days prior to cancellation or material change, and shall include, in addition to the name of the carrier and the policy number, the names of the insured(s) and additional insured(s), the coverages provided, the policy limits and period of coverage, the waivers of subrogation (if requested by landlord, and there shall be attached to said certificates, a copy of the applicable policies. Renewal certificates of coverage will be supplied to the Landlord prior to the expiration date of any required coverage.

EXHIBIT "B"
DESCRIPTION OF PREMISES

The land consisting of Parcels 101,102 and 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 as file No. 90-655448 of official records and the industrial and office building thereon containing approximately 338,485 square feet and related improvements.

EXHIBIT "C"
FORM OF TENANT ESTOPPEL CERTIFICATE

IPX Camelback, LLC

Re: Premises located at 12365 Crosthwaite Circle, City of Poway, County of San Diego, State of California

Gentlemen:

The undersigned, as Tenant under that certain lease dated [DATE] (the "Lease"), made with IPX Camelback, LLC an Arizona limited liability company as Landlord (the "Landlord"), does hereby certify:

1. That the copy of the Lease attached hereto as Exhibit "A" is a true and complete copy of the Lease, and there are no amendments, modifications or extensions of or to the Lease and the Lease is now in full force and effect.

2. That it began paying rent on _____, 200__, and that, save only as may be required by the terms of the Lease, no rental has been paid in advance, nor has the undersigned deposited any sums with Landlord as security.

3. That there exist no defenses or offsets to enforcement of the Lease by the Landlord and, so far as is known to the undersigned, the Landlord is not, as of the date hereof, in default in the performance of the Lease, nor has the Landlord committed any breach thereof, nor has any event occurred which, with the passage of time or the giving of notice, or both, would constitute a default or breach by the Landlord.

The undersigned acknowledge that you are relying on the above representation of the undersigned and do hereby warrant and affirm to and for your benefit, and that of your successors and assigns, that to the best of their knowledge and belief, each of the foregoing representations is true, correct and complete as of the date hereof.

TENANT:
Cohu, Inc. a Delaware corporation

By: _____ Date: _____
Its: _____

SUBLEASE AGREEMENT

BETWEEN

COHU, INC.,
A DELAWARE CORPORATION
(SUBLESSOR)

AND

ANACOMP, INC.,
AN INDIANA CORPORATION
(SUBTENANT)

DATED AS OF OCTOBER 27, 2000

SUBLEASE AGREEMENT

THIS SUBSUBLEASE AGREEMENT ("Sublease") is entered into and effective as of October 27, 2000 (the "Effective Date"), between COHU, INC., A DELAWARE CORPORATION ("Sublessor"), whose address is 5755 Kearny Villa Road, San Diego, California 92123, and ANACOMP, INC., AN INDIANA CORPORATION ("Subtenant"), whose address is 12365 Crosthwaite Circle, Poway, California 92064.

RECITALS:

This Sublease is made with reference to the following facts:

A. As of the date of this Sublease, Subtenant occupies that certain real property (the "Land") as more fully described in Exhibit "A" attached hereto, which is improved with an industrial and office building containing approximately 338,485 rentable square feet (the "Building"), together with all related improvements to the Land and Building (the "Improvements"), located at 12365 Crosthwaite Circle, Poway, California 92064 (the Land, Improvements and the Building being collectively referred to herein as the "Property"), pursuant to that certain Amended and Restated Lease (the "BPP Lease") between Burnham Pacific Properties, Inc., a Maryland corporation, as the Landlord thereunder ("BPP"), and Subtenant, as the Tenant thereunder.

B. Prior to the date of this Sublease, Sublessor, through its intermediary IPX Camelback, LLC, an Arizona limited liability company ("IPX" or "Landlord"), entered into an agreement to purchase the Property from BPP and, as of the date of this Sublease, is in escrow to complete that purchase. Upon closing of that escrow, title to the Property will be conveyed to IPX and ultimately to Sublessor.

C. Sublessor will occupy a substantial portion of the Building following Landlord's purchase of the Property. In order to accommodate that occupancy, Subtenant has, concurrently herewith, entered into that certain Lease Termination Agreement with BPP (the "BPP Lease Termination Agreement") dated October 20, 2000 whereby Subtenant, subject to certain conditions, agrees to terminate the BPP Lease upon the close of escrow of Landlord's purchase of the Property.

D. Concurrent with the close of escrow, IPX, as Landlord, and Sublessor, as Tenant, will enter into that certain Lease, dated as of October 27, 2000 (the "Master Lease"), pursuant to which Landlord will lease the Property to Sublessor, a copy of which Master Lease is attached to this Sublease as Attachment "1." This Sublease will not become effective unless and until: (i) Landlord acquires title to the Property, (ii) Landlord and Sublessor enter into the Master Lease, and the Master Lease becomes effective, and (iii) Landlord delivers to Subtenant a fully executed Non-Disturbance Agreement in the form attached to this Sublease as Exhibit "D" (the "Non-Disturbance Agreement") whereby Landlord agrees, for itself and its assigns, to recognize Subtenant's occupancy rights under the Sublease and not to disturb Subtenant's occupancy rights

under the Sublease, even following a termination of the Master Lease, so long as Subtenant is not in default under this Sublease.

E. Subtenant desires to continue to occupy a portion of the Building and be entitled to use a portion of the parking and other Building facilities located on the Property for a period following the termination of the BPP Lease. Accordingly, one of the conditions to Subtenant's agreement to terminate the BPP Lease is that Subtenant and Sublessor enter into a new Sublease agreement for Subtenant's continued occupancy of a portion of the Building and the right to use certain associated parking and Building facilities. This Sublease is intended to satisfy that condition.

F. Sublessor intends to acquire title to the Property from Landlord, at which time, due to the merger of the Sublessor's rights under the Master Lease with fee title ownership of the Property, the Master Lease will terminate by operation of law. Notwithstanding the termination of the Master Lease at such time, Sublessor and Subtenant hereby agree that this Sublease shall remain in full force and effect as a direct lease between Sublessor, as landlord, and Subtenant, as tenant, for the Premises on the terms and conditions contained herein.

G. Attached hereto as Exhibit "B" is a floor plan of the Building which indicates, among other things, (i) the portions of the Building which are being Subleased to Subtenant for its exclusive occupancy (the "Premises"), (ii) the corridor areas in the Building which Subtenant may use to transit to and from the Premises (the "Hallways"), and (iii) the Building facilities which Subtenant may use in common with Sublessor (the "Common Areas"). Exhibit B is referred to herein as the "Premises Site Plan".

H. Attached hereto as Exhibit "C" is a site plan of the Property which indicates, among other things, the portions of the parking lots located on the Property which will be reserved for use by Subtenant and its employees and invitees (the "Parking Areas").

NOW, THEREFORE, it is agreed as follows:

1. AGREEMENT TO SUBLEASE.

Sublessor shall Sublease to Subtenant, and Subtenant shall rent, hire and take of and from Sublessor, for the term and upon the terms, covenants and conditions set forth in this Sublease, the Premises, together with an easement over and through the Hallways and the right to use the Common Areas in common with Sublessor, and the right to the exclusive use of the Parking Areas. The Premises are anticipated to be approximately 60,000 rentable square feet in size.

Sublessor and Subtenant intend that this Sublease be considered a "full service-net" Sublease. This means that Sublessor is responsible for providing Subtenant and the Premises with all customary building operating services, including, but without limitation, HVAC, electricity, gas, water and other customary utilities, daily janitorial services, refuse collection and disposal, building maintenance and repair, payment of Real Property Taxes and assessments, and Property and general public liability insurance and Subtenant is responsible for paying for a proportional share of those operating expenses as more fully described below.

2. TERM; OCCUPANCY.

2.1 Commencement Date. As used in this Sublease, the "Commencement Date" shall be the date that (i) the BPP Lease is terminated pursuant to the BPP Lease Termination Agreement, (ii) Landlord becomes the owner of the Property, and (iii) Sublessor becomes the lessee of the Property from Landlord pursuant to the Master Lease, all of which are currently scheduled to occur on October 27, 2000.

2.2 Term. Unless sooner terminated as provided herein (including, without limitation, Section 3, below), the term of this Sublease (the "Term") shall begin on the Commencement Date and shall end (i) on December 31, 2001, as to the portions of the Premises identified on the Premises Site Plan as "Print Shop," "Data Center" and, subject to the provisions of Section 3.3 of this Sublease, "Clean Room" (and all rights to use the Common Areas and Hallways adjacent thereto) (the "1-Year Term Expiration Date"), and (ii) on December 31, 2002, as to the balance of the Premises (and all rights to use the Common Areas, Hallways and Parking Areas) (the "Term Expiration Date").

2.3 Transition from Existing Occupancy to Premises.

2.3.1 Subtenant currently occupies the entirety of the Building pursuant to the BPP Lease. As of the Commencement Date, Subtenant will be entitled to occupy the entire Building on the terms and conditions specified in this Sublease. Those portions of the Building that are not part of the Premises are referred to as the "Hold-Over Space."

2.3.2 Subtenant shall use and undertake its reasonable best efforts to vacate all Hold-Over Space located on the 2nd floor of the Building (the "2nd Floor Hold-Over Space") by November 30, 2000. Subtenant shall deliver to Sublessor written notice when it Subtenant believes it has vacated the 2nd Floor Hold-Over Space (provided that such notice shall not necessarily be conclusive evidence that Subtenant has vacated such Hold-Over Space).

2.3.3 Subtenant and Sublessor shall mutually develop a plan for Subtenant to vacate the remaining Hold-Over Space by a date that is as soon after November 30, 2000, as is reasonably practicable, but in no event later than January 31, 2001 (the "Hold-Over Vacancy Date"), taking into consideration both (i) Sublessor's need to commence modifications and alterations to the Building and consolidate Subtenant's continued occupancy of Hold-Over Space, and (ii) Subtenant's need to maintain uninterrupted business operations in the Building and achieve a smooth transition and relocation of certain of its business functions to off-site locations. Subtenant shall deliver to Sublessor written notice when it believes it has vacated the remaining Hold-Over Space (provided that such notice shall not necessarily be conclusive evidence that Subtenant has vacated such remaining Hold-Over Space).

2.3.4 So long as Subtenant is in possession of any part of the Hold-Over Space, the Hold-Over Space shall be subject to the terms and conditions of this Sublease. Subtenant shall be responsible for delivering the Hold-Over Space that Subtenant vacates free of all debris, Hazardous Material, as defined in Section 6.6.below, rubbish, furniture, equipment,

freestanding cabinetwork, shelving, movable partitions, and other similar articles of movable personal property owned by Subtenant.

2.3.5 In the event that Subtenant has not vacated the Hold-Over Space by the Hold-Over Vacancy Date, in addition to the Monthly Rent on the Premises payable pursuant to Section 4.1 of this Lease, and the continued obligation to pay 100% of the Operating Expenses pursuant to Section 4.2 of this Lease, Subtenant shall also pay to Sublessor, as additional rent, an amount equal to fifty-four cents (\$0.54) per rentable square foot of the Hold-Over Space that Subtenant has not timely vacated until such time as such Hold-Over Space is vacated by Subtenant, provided that the payment of such additional rent shall not limit Sublessor's remedies for Subtenant's failure to timely vacate the Hold-Over Space, including, without limitation, the right to prosecute an action for unlawful detainer.

2.4 Use of Cafeteria. There is a cafeteria facility located on the 1st floor of the Building where indicated on the Premises Site Plan (the "Cafeteria"). During the Term, Subtenant and Subtenant's employees shall have a license, coupled with an interest, to use the Cafeteria, at no additional charge other than the customary, non-discriminatory charges imposed by the Cafeteria on its customers for food and beverages, and shall have the right to enter and cross through the Hallways shown on the Premises Site Plan to access the Cafeteria during prescribed time periods as agreed upon by Sublessor and Subtenant. Notwithstanding, Sublessor may revoke such license to use the Cafeteria if, in the exercise of Sublessor's reasonable judgment and discretion, Sublessor determines that Subtenant's use of the Cafeteria is causing breaches in Sublessor's security or otherwise resulting in violations of Sublessor's security policies or procedures, provided that, prior to revoking such right, Sublessor shall meet and confer with Subtenant to attempt to develop policies and procedures for Subtenant's use of the Cafeteria which are designed to ameliorate such security breaches or policy violations and which would permit Subtenant's continued use of the Cafeteria.

2.5 Use of Board Room and Conference Center. There is a Board of Directors Meeting Room (the "Board Room") and a Conference Center (the "Conference Center") located on the 2nd floor of the Building where indicated on the Premises Site Plan. During the Term, Subtenant and Subtenant's employees shall have a license, coupled with an interest, to pre-scheduled use of the Board Room and Conference Center, at no additional charge, according to the procedures described in this Section 2.5. Sublessor shall designate a person who shall be responsible for maintaining a schedule for the use of the Board Room and Conference Center. Subtenant shall notify Sublessor's representative of Subtenant's desire to use either the Board Room or the Conference Center. Such notice shall be given as far in advance of the date and time of such proposed use as is reasonably possible. The facilities will be available on a first-come, first-served basis and Sublessor shall make reasonable efforts to accommodate Subtenant's use at the date and time proposed. Subtenant shall be entitled to use the Board Room for up to 40 hours per month, and to use the Conference Center for up to 40 hours per month. A schedule shall be maintained by Sublessor's designated representative and a copy of that schedule shall be delivered to Subtenant on a weekly basis and shall be made available for review upon Subtenant's request.

2.6 Access to Elevators. During the Term, Subtenant and its employees, contractors and invitees shall have a license, coupled with an interest, to use the elevator which is located in the portion of the Building that will be occupied by Sublessor where reflected on the Premises Site Plan, and to enter the Building through the main entrance and cross through the Building lobby and Hallways leading to the elevator, all to the extent necessary to accommodate the needs of physically disabled persons to have access to the Premises.

3. EARLY TERMINATION RIGHTS.

3.1 Sublessor shall have the right to terminate this Sublease effective as of any date eighteen (18) months after the Commencement date, so long as Sublessor has delivered to Subtenant written notice of such intent to terminate on or before the date which is six (6) months prior to the proposed early termination date.

3.2 In the event Sublessor does not deliver its termination notice in strict accordance with Section 3.1 above, such right of early termination shall automatically become void and of no further force or effect. Sublessor shall have no further right to terminate this Sublease (except as may be otherwise provided in this Sublease), and this Sublease shall otherwise continue in full force and effect.

3.3 Either Sublessor or Subtenant shall have the right to terminate this Sublease as to that portion of the Premises referred to herein as the "Clean Room," provided that such termination shall not become effective until ninety (90) days after delivery of notice of such termination by Sublessor to Subtenant or Subtenant to Sublessor, as the case may be. In the event of such a termination, the Rentable Area of the Premises shall be recalculated and the Monthly Rent reduced accordingly.

4. RENT.

4.1 Monthly Rent. Subtenant has paid to BPP, as Sublessor under the BPP Lease, the October 2000 monthly installment of Annual Rent (as defined in Section 4 of the BPP Lease). On November 1, 2000, Subtenant shall pay Sublessor as rent for the month of November an amount equal to \$182,782, the monthly installment of Annual Rent that would have been due on that date under the BPP Lease. Commencing on December 1, 2000, Subtenant shall pay Sublessor a monthly rent (the "Monthly Rent"), payable in advance on the first day of each calendar month thereafter, in an amount equal to fifty-four cents (\$0.54) per rentable square foot of the Premises, as such Rentable Area is determined by a measurement of the Premises to be conducted jointly by Sublessor and Subtenant prior to the Commencement Date and which shall be made pursuant to the BOMA Standard (as defined in Section 24.6 of this Sublease). As of the date of this Sublease, the Rentable Area of the Premises is estimated at 60,000 square feet and, based on that estimate, the Monthly Rent for the Premises is estimated to be \$32,400.00 per month. On or about the Commencement Date, Sublessor and Subtenant shall jointly execute a written confirmation of (i) the Commencement Date, (ii) the Term Expiration Dates for the 1-Year Term Area and the Premises (iii) the final Rentable Area of the Premises, (iv) the final Monthly Rent, and (v) the final "Subtenant's Share" (as defined in Section 4.2, below). The rentable area of the Premises shall be revised, and the Monthly Rent shall be reduced, to reflect

the reduction in the rentable area of the Premises on the 1-Year Term Expiration Date and upon any termination pursuant to Section 3.3, above.

Monthly Rent, or any component thereof, for any period during the Term which is less than a full calendar month, shall be a prorated portion of the Monthly Rent, based on the actual number of days in the month in question. Monthly Rent shall be paid in lawful money of the United States, to Sublessor at the address set forth in the first paragraph of this Sublease, or to any other person at any other place located in the United States as Sublessor may designate to Subtenant in writing, so long as Subtenant shall be obligated to make payments only to a single person or entity.

4.2 Subtenant's Share of Operating Expenses. In addition to the Monthly Rent required to be paid by Subtenant pursuant to Section 4.1, above, and in consideration of the delivery by Sublessor of the services to the Premises as and when required under this Sublease, (i) during the period from the Commencement Date through the date Subtenant vacates the Hold-Over Space (and delivery of the written notice of vacancy required under Section 2.3 of this Sublease) or December 31, 2000, whichever is later (the "Modification Date"), Subtenant shall be responsible for paying (A) one hundred percent (100%) of all the Operating Expenses (as that term is defined in Section 4.3, below) of the Property that are incurred during that period, and (B) Subtenant's Share of any (1) Real Property Taxes (as defined in Section 11.2 of this Sublease), (2) annual insurance premiums, and (ii) beginning as of the Modification Date, and through the balance of the Term, Subtenant shall pay to Sublessor "Subtenant's Share" (as such term is defined below) of the "Operating Expenses" of the Property. "Subtenant's Share" of the Operating Expenses shall equal a percentage equal to a fraction, the numerator of which is the final Rentable Area of the Premises (as may be adjusted) and the denominator of which is 338,485 sq. ft. By way of example only, if the final Rentable Area of the Premises is determined to be 60,000 square feet, "Subtenant's Share" shall equal 17.73%. Subtenant's Share shall be adjusted on the 1-Year Term Expiration Date and whenever there is otherwise a change in the size of the Premises.

4.3 Definition of Operating Expenses. As used in this Sublease, the term "Operating Expenses" shall consist of all costs and expenses incurred in connection with the operation of the Property, including the following: (a) Real Property Taxes (as defined in Section 11.2 of this Sublease); (b) water and sewer charges and the costs of electricity, HVAC and other utilities; (c) costs of insurance obtained by Sublessor pursuant to this Sublease; (d) waste disposal and janitorial services; (e) security; (f) supplies, materials, equipment and tools to the extent used with respect to the Property; (g) repair and maintenance of the elevators, HVAC, electrical service, plumbing and other Building systems which deliver services to the entire Building (without discrimination between Sublessor and Subtenant); (h) costs and expenses of cleaning, refuse removal and similar items related to the Parking Areas. Notwithstanding the foregoing, for purposes of this Sublease, Operating Expenses shall not, include: (a) costs for which the Sublessor is reimbursed by any other Subtenant or occupant of the Property or by insurance by its carrier or any Subtenant's carrier or by anyone else; (b) rentals and other related expenses incurred in leasing air conditioning systems, elevators or other equipment (c) depreciation, interest and principal payments on mortgages or other debt costs, if any, penalties and interest; (e) Sublessor's general corporate overhead and general and

administrative expenses; (f) amounts paid to any affiliate of Sublessor in excess of commercially reasonable market rates; (g) costs reimbursed by the proceeds of any insurance maintained or required under this Sublease to be maintained by Sublessor, (h) Sublessor's income, franchise or similar taxes or assessments not directly related to ownership of the Property, and (i) expenses that are other than normal periodic operational or maintenance expenses (i.e. the expense of replacing or installing items that would, under generally accepted accounting principles, be characterized as capital improvements.

4.4 Payment of Subtenant's Share of Operating Expenses. Within thirty (30) days following the end of each month of the Term, beginning with January 2001 (i.e. March 2, 2001), Sublessor shall deliver to Subtenant a statement ("Operating Expense Statement") of the actual Operating Expenses incurred by Sublessor during the month to which such Operating Expense Statement relates. Subject to the provisions of Section 4.5, below, Subtenant shall pay Subtenant's Share of the Operating Expenses reflected on the Operating Expense Statement within thirty (30) days after receipt of the Operating Expense Statement. Notwithstanding any other provisions of this Lease to the contrary, Operating Expenses, or any component thereof, (i) incurred prior to the Modification Date that relate to the operation of the Property for any period after the Modification Date, including but not limited to semi-annual payments of Property Taxes, shall be prorated between the period prior to the Modification Date (for which Subtenant is 100% responsible) and the period after the Modification Date (for which Subtenant is responsible to the extent of Subtenant's Share), and (ii) incurred for any period during the Term that is less than a full calendar month or quarter shall be a prorated portion of such Operating Expenses based on the actual number of days in the month or quarter in question. Operating Expenses shall be paid in lawful money of the United States to Sublessor at the address set forth in the first paragraph of this Sublease, or to any other person at any other place located in the United States as Sublessor may designate to Subtenant in writing, so long as Subtenant shall be obligated to make payments only to a single person or entity. The proration of any payment of Operating Expenses under this Section 4.4 will be handled either by (i) payment of the amount for which Tenant is responsible to Landlord, or (ii) payment of the amount for which Landlord is responsible to Tenant, in either case within thirty (30) days following determination of the prorated amount.

4.5 Inspection of Operating Expenses. Within the thirty (30) day period following receipt of an Operating Expense Statement ("Review Period"), Subtenant may, after reasonable notice to Sublessor and during normal business hours, inspect at Sublessor's offices Sublessor's books and records that relate to Operating Expenses for the period represented by any such Operating Expense Statement, provided, that Subtenant shall maintain all information contained in Sublessor's books and records in strict confidence. If after such inspection, Subtenant disputes the Operating Expense Statement, a certification as to the proper amount shall be made, at Subtenant's expense (except as provided below), by an independent certified public accountant selected by Subtenant and reasonably approved by Sublessor. Sublessor shall cooperate with Subtenant to provide Subtenant with the information upon which the certification is based; provided that if such certification proves that the Operating Expenses set forth in such Operating Expense were overstated by more than five percent (5%), then the reasonable cost of such certification shall be paid for by Sublessor. Promptly following the parties' receipt of such

certification, the parties shall make such appropriate payments or reimbursements, as the case may be, to each other, as are determined to be owing pursuant to such certification. In the event Subtenant has not challenged an Operating Expense Statement within such thirty (30) day period, Subtenant shall have no further right to inspect or challenge the accuracy of such Operating Expense Statement.

4.6 Sublease Year. As used in this Sublease, "Sublease Year" means each consecutive twelve (12) month period from the Commencement Date. The first Sub

4.7 lease Year shall include any partial month between the Commencement Date and first day of the first full calendar month thereafter.

4.8 Interest and Late Charges. Subtenant hereby acknowledges that the late payment by Subtenant to Sublessor of Monthly Rent and other sums due hereunder will cause Sublessor to incur unanticipated costs, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Sublessor by the terms of any mortgage, encumbrance or note secured by the Land or the Premises. Therefore, if any monthly installment of Monthly Rent or Operating Expenses due from Subtenant is not received within ten (10) days after written notice from Sublessor of such delinquency, Subtenant shall pay to Sublessor, in addition to the amount due, a charge ("Late Charge") equal to interest on the delinquent amount at the rate of 10% per annum calculated from the date the Monthly Rent or Operating Expenses payment was due to the date such amounts are paid. The parties agree that the amount of such Late Charge represents a fair and reasonable estimate of the costs and expenses that will be incurred by Sublessor by reason of late payment by Subtenant. Acceptance of such Late Charge by Sublessor shall in no event constitute a waiver of Subtenant's default with respect to such delinquent amount, nor shall such acceptance prevent Sublessor from exercising any of the other rights and remedies granted hereunder or by law to Sublessor.

5. USE.

5.1 Permitted Use. Subtenant shall be entitled to use the Premises for any lawful purpose; provided, however, that Subtenant's use shall not violate that certain Declaration of Covenants, Conditions and Restrictions for Parkway Business Centre recorded December 28, 1990, in the Official Records of San Diego County, California as Document No. 1990-0690887.

5.2 Compliance with Laws. Sublessor, at its sole cost and expense, promptly shall comply with all laws, statutes, ordinances and governmental rules and regulations now in force or which hereafter may be in force, and with the requirements of the certificate of occupancy (or its equivalent) for the Premises relating to or affecting the condition, use or occupancy of the Premises. Notwithstanding the foregoing, if any governmental agency requires any improvement or alteration to be made to the Premises, and those improvements are specifically required because of a special use by Subtenant, Subtenant shall make such required alterations and improvements at its sole cost and expense. Subtenant shall comply with all directions of any governmental authority having jurisdiction which shall by reason of the nature of any special or unique use of the Premises by Subtenant, impose any duty upon Subtenant or

Sublessor with respect to the Premises or with respect to the use or occupation thereof. Alterations or improvements required because of a "special use" by Subtenant do not include alterations or improvements required because the Improvements are occupied for general office, warehouse, industrial or manufacturing purposes. However, Sublessor shall not be responsible for making alterations or improvements to Subtenant's personal property or to any Improvements which were installed by or paid for by Subtenant after the Commencement Date.

5.3 Prohibition Against Waste. Subtenant shall not keep, use or maintain anything in or about the Premises which may be prohibited by or which may cause a lapse of coverage of any insurance described in Section 9.4 and covering the Premises. Subtenant shall not cause, maintain or permit anything to be done in or about the Premises which would constitute a nuisance. Subtenant shall not commit or allow to be committed any waste in or upon the Premises, subject to Sublessor's obligations set forth in Section 7.4 below or elsewhere in this Sublease. Subtenant's equipment shall not exceed the structural load limitations set forth in the Building Schematic Designs which were referenced in the BPP Lease.

6. HAZARDOUS MATERIALS.

6.1 Acts of Subtenant. Provided Subtenant complies with all applicable environmental laws and regulations, Subtenant may use, keep and store Hazardous Materials (as defined in Section 6.6 below) on the Premises. Subtenant agrees that it shall comply, at its sole cost and expense, with all environmental laws and regulations governing the use, maintenance or storage of Hazardous Materials by Subtenant on the Premises. Should any governmental authority having jurisdiction over the Premises require that a clean-up or remediation be prepared or that a clean-up or any other remediation action be undertaken because of any spills or discharges of Hazardous Materials at the Premises by Subtenant, or its employees, agents or invitees, then Subtenant, at Subtenant's own expense, shall prepare and submit the required plans and financial assurances, and carry out the approved plans.

6.2 Migration. Subtenant shall not be responsible for or liable for any Hazardous Materials which migrate onto or beneath the Land or the Premises, or which are otherwise disposed of on the Land or the Premises by persons other than Subtenant or its employees, agents or invitees.

6.3 Indemnification/Subtenant. Subtenant shall indemnify, defend and hold Sublessor harmless from any and all claims, judgments, Damages (as defined in Section 24.3 below), penalties, fines, costs, liabilities or losses which arise during or after the Term as a result of any contamination caused by Subtenant, its agents, employees or invitees. This indemnification of Sublessor by Subtenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of any Hazardous Material present in the soil or ground water on or under the Land, or the Premises and all costs incurred to comply with the provisions of this Section 6.

6.4 Indemnification/Sublessor. Sublessor shall indemnify, defend and hold Subtenant harmless from any and all claims, judgments, Damages, penalties, fines, costs,

liabilities or losses as a result of any contamination existing prior to Subtenant's original occupancy of the Premises pursuant to the BPP Lease and any predecessor Subleases and any contamination caused by Sublessor, its agents, employees or invitees. This indemnification of Subtenant by Sublessor includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work costs incurred to comply with the provisions of this Section 6, any diminution in the value of Subtenant's subleasehold estate, Damages to any of Subtenant's personal property, and any relocation and moving expenses Subtenant incurs in having to obtain alternative premises.

6.5 Trash and Refuse. Subtenant shall keep any trash, garbage, waste or other refuse in sanitary containers on the Premises and Sublessor shall regularly remove the same from the Premises. Sublessor shall keep all incinerators, containers or other equipment used for the storage or disposal of such matter in a clean and sanitary condition. Subtenant shall properly dispose of all sanitary sewage and shall not use the sewage disposal system of the Building (a) for the disposal of anything except sanitary sewage, or (b) in excess of the amount permitted by any governmental entity.

6.6 Hazardous Material Defined. 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 (a) defined as a "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); (b) 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); (c) 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); (d) 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; (e) petroleum; (f) asbestos; (g) listed under Article 9 or defined as hazardous or extremely hazardous pursuant to Article II of Title 22 of the California Administrative Code, Division 4, Chapter 20; (h) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317); (i) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903); or (j) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. (42 U.S.C. Section 9601).

7. MODIFICATIONS, ALTERATIONS, MAINTENANCE AND REPAIRS.

7.1 Modifications to Building to Accommodate Subtenant's Occupancy. Except to the extent that there are Building and Premises Modifications (as defined below) that will need to be made to the Premises, as addressed in this Section 7.1, Subtenant accepts the Premises in their "AS IS" condition. Notwithstanding the foregoing sentence, Sublessor and

Subtenant acknowledge that it will be necessary to make certain Alterations (as defined in Section 24.1, below) to the Building and the Premises in order to (i) demise the Premises from the rest of the Building, (ii) permit Subtenant to obtain a certificate of occupancy (or similar evidence of legal right to occupy) for the Premises from the City of Poway and any other relevant governmental authority, (iii) create a suitable exterior entrance to the Premises, and (iv) bring the Building and the Premises into compliance with all applicable local, state and federal zoning, building, occupancy and fire regulations, rules, laws, statutes and ordinances, including, without limitation, the American's With Disabilities Act and Title 24 ("Applicable Laws") (collectively "Building and Premises Modifications"). Sublessor and Subtenant will mutually develop, finalize and agree on the plans for such Building and Premises Modifications and make the arrangements necessary to have those Building and Premises Modifications made. Sublessor shall be responsible for the costs associated with those Building and Premises Modifications necessary to cause the Building and the Premises to comply with Applicable Laws. Subtenant shall be responsible for the costs associated with Building and Premises Modifications related to (a) the construction of any walls necessary to demise the Premises from the balance of the Building, (b) creation of an exterior entrance to the Premises, (c) the costs associated with, to the extent possible or economically feasible, separating the existing phone system, data communications facilities, network computer facilities and security system between Subtenant and Sublessor, and (d) except to the extent provided in the preceding sentence, costs associated with obtaining a certificate of occupancy (or similar evidence of legal right to occupy) for the Premises. Subtenant shall be solely responsible, and shall pay, for any other Alterations which it elects to make to the Premises, and any such Alterations shall otherwise comply with the provisions of this Section 7.

7.2 Alterations. Subtenant shall not make any Alteration (as defined in Section 24.1 below) to the Premises except in accordance with the provisions of this Section 7.

7.2.1 "Major Alteration" means any Alteration which Subtenant elects to make (and which Sublessor is not otherwise required to make pursuant to the terms of this Sublease) which affects either or both (a) the exterior of the Building, or (b) any structural component of the Building, specifically including any foundation or supporting or spanning beam or wall, or (c) any Alteration, the estimated cost of which exceeds \$50,000. In connection with any Major Alteration, Subtenant shall comply with the following provisions:

(a) Subtenant shall make no Major Alterations without Sublessor's prior written consent, which consent shall be granted or withheld by Sublessor in its absolute discretion. All approved Major Alterations shall be made at Subtenant's sole cost and expense.

(b) Construction of the Major Alterations shall not be commenced until ten (10) days after Sublessor has received notice from Subtenant setting forth the date on which the intended construction will begin so that Sublessor can post an appropriate notice of nonresponsibility.

(c) Subtenant shall procure all applicable construction permits and authorizations required by law before commencement of construction of any Alterations and deliver copies of such permits and authorizations to Sublessor.

(d) All Alterations shall be performed in a good and workmanlike manner and shall be completed with due diligence in accordance with the plans, specifications and working drawings reasonably approved by Sublessor and in compliance with all applicable Laws.

(e) During the period of any construction work by Subtenant on the Premises, if requested by Sublessor, Subtenant shall procure, or cause Subtenant's contractor to procure, at no expense to Sublessor, builder's "all risk" insurance and worker's compensation insurance with an insurance company satisfying the requirements set forth in Section 9.4.1 below. Sublessor shall be named as an additional insureds under such "all risk" liability policies and the insurance shall be kept in full force and effect during the entire construction period, and copies of such policies or certificates of insurance relating to such policies shall be furnished to Sublessor prior to the commencement of such work.

(f) If the estimated cost of any Major Alteration exceeds \$250,000, Sublessor may require that Subtenant provide Sublessor, at Subtenant's sole cost and expense, lien and completion bonds in amounts and with sureties reasonably satisfactory to Sublessor to insure Sublessor against any liability for mechanics' and materialmen's liens and to insure completion of any Major Alteration. All such bonds to be obtained by Subtenant shall be California private work bonds issued by an admitted corporate surety reasonably acceptable to Sublessor. All bonds obtained by Subtenant shall be recorded in accordance with California Civil Code Section 3235 et seq., or any successor statute or law. Upon obtaining each bond required under this Sublease, Subtenant promptly shall submit a copy thereof to Sublessor. Sublessor may waive any or all of the foregoing requirements with respect to any Major Alteration, but waiver on one occasion shall not constitute a waiver as to any subsequent act or Major Alteration.

7.2.2 "Minor Alteration" means any Alteration which is not a Major Alteration and which Subtenant elects to make (and which Sublessor is not otherwise required to make pursuant to the terms of this Sublease). Subtenant, at its sole cost and expense, shall have the right to make Minor Alterations without Sublessor's consent, at any time and from time to time during the Term. In connection with any Minor Alteration, Subtenant shall comply with the following provisions:

(a) Subtenant shall give written notice to Sublessor describing the general nature of the intended Minor Alteration at least ten (10) days prior to commencement of construction so that Sublessor shall have the opportunity to post an appropriate notice of nonresponsibility; provided, however, that no notice to Sublessor shall be required if the projected cost of the Minor Alteration is less than \$50,000 and does not require the issuance of a building permit.

(b) Any Minor Alterations shall be prosecuted with due diligence, without unreasonable interruption or cessation, and completed in a good and workmanlike manner, in compliance with all Laws.

7.2.3 Subtenant may place a communication device (such as a satellite dish) on the roof of the Building, subject to governmental approval, at any time during the Term. Such device shall be subject to Section 7.2 above and shall, for purposes thereof, be deemed to constitute a Minor Alteration. Subtenant shall maintain such device in good condition, appearance and repair and in compliance with applicable law. Upon the expiration or sooner termination of this Sublease, Subtenant shall remove such device. Subtenant shall be responsible for all costs relating to such device including, without limitation, costs of acquisition, installation, removal, maintenance and repair (of such device and any damage to any portion of the Building resulting from such device or the installation or removal thereof), and legal compliance.

7.3 Removal of Alterations, Restoration. Any Alterations to the Premises shall remain on and be surrendered with the Premises and title thereto shall vest in Sublessor upon expiration or termination of the Term, in the same condition as and when constructed, ordinary wear and tear excepted.

7.4 Maintenance and Repair. Sublessor, at its sole cost and expense (subject to the provisions of Section 4.2 of this Sublease), shall regularly maintain and promptly make all repairs required to keep the Building and Premises in good condition, appearance and repair, ordinary wear and tear excepted, throughout the Term of this Sublease, including providing or arranging daily janitorial service to the Premises of the same level and quality as are provided to the balance of the Building.

7.5 Computer and Network Facilities. During the Term of this Sublease, Subtenant and Sublessor will be operating separate computer networking facilities located in rooms adjacent to each other on the 1st floor of the Building where indicated on the Premises Site Plan. During the Term of this Sublease, Subtenant shall, at its expense, provide the same "enhanced" level of air conditioning to the computer network facility operated by Sublessor as it provides to the computer network facility operated by Subtenant. In addition, the Building contains additional computer network system-related facilities referred to as "Network Closets." These Network Closets are identified on the Premises Site Plan and contain equipment used to operate Subtenant's and Sublessor's computer network systems in the Building (the "Network Equipment"). During the Term, Subtenant and Sublessor may enter into an agreement pursuant to which Subtenant will sell the Network Equipment to Sublessor. Should such an agreement not be entered into during the Term, however, Subtenant shall not remove such Network Equipment without first delivering Sublessor at least fourteen (14) days advance written notice of its intent to remove such equipment and Subtenant shall permit Sublessor or Sublessor's representatives (i) to be present when such Network Equipment is removed and (ii) to take such reasonable steps as Sublessor may request to avoid interference with or damage to Sublessor's computer network system which might result from such removal.

8. LIENS.

8.1 Payment of Liens. During the Term, and except for work which is the responsibility of Sublessor under this Sublease, Subtenant shall pay for, or cause to be paid for, all labor done or materials furnished for any work of construction, repair, maintenance or Alterations done by or for Subtenant in, upon or about the Premises, and shall keep and hold the Land and all improvements placed thereon free, clear and harmless of, from and against all liens arising by reason of labor done or materials furnished in connection with any construction work performed in, upon or about the Premises at the request or direction of Subtenant, its employees or agents. Subtenant shall indemnify, defend and hold Sublessor harmless from and against all Damages, costs and expenses which might accrue or be incurred by reason of or on account of any such lien or claim.

8.2 Discharge of Liens. Subtenant shall pay and fully discharge any such lien or claim within thirty (30) days after written notice from Sublessor of the existence thereof, unless within such period of time Subtenant has notified Sublessor of Subtenant's intention to contest such lien or claim, or has commenced a contest thereof, in which case Section 8.3 below shall apply.

8.3 Lien Contests. Subtenant shall have the right to contest the correctness or validity of any such lien or claim if, within fifteen (15) days of written demand by Sublessor, Subtenant procures and records a lien release bond issued by a corporation authorized to issue surety bonds in California in an amount equal to one and one half (1.5) times the amount of the claim of lien. The bond shall meet all of the requirements of Section 3143 of the California Civil Code and any similar or successor Laws and shall provide for the payment of any sum that the claimant may recover on the claim (together with costs of legal proceedings and attorneys' fees, if the claimant recovers in the action).

8.4 Notice of Nonresponsibility. Sublessor, at all reasonable times, shall upon reasonable notice to Subtenant have the right to go upon the Premises for the purpose of posting and keeping posted thereon such notices of nonresponsibility as Sublessor deems necessary for protection of the Premises from materialmen's or mechanics' liens or other claims or liens of a similar nature.

9. EXCULPATION, INDEMNITY AND INSURANCE.

9.1 Exculpation of Sublessor. Sublessor shall not be liable to Subtenant and Subtenant waives all claims against Sublessor for any Damage to Subtenant or Subtenant's property from any cause except for any claim or Damage caused by any acts, omissions, neglect or fault of Sublessor, its officers, agents, contractors, representatives or employees, and except for any claim or Damage caused by any default by Sublessor under this Sublease.

9.2 Indemnity of Sublessor. Subtenant shall indemnify, defend and hold Sublessor harmless from and against all claims or Damages caused by any acts, omissions, neglect or fault of Subtenant, its officers, agents, contractors, representatives and employees resulting from Subtenant's use or occupancy of the Premises or the conduct of its business or from any activity, work or activity permitted by Subtenant on the Premises. Subtenant shall further indemnify, defend and hold Sublessor harmless from all claims or Damages arising from

any breach or default in the performance of any obligation to be performed by Subtenant under the terms of this Sublease, and from and against all costs, attorneys' fees, expenses and liabilities incurred as a result of or arising out of such claim or any action or proceeding brought thereon.

9.3 Indemnity of Subtenant. Sublessor shall indemnify, defend and hold Subtenant harmless from and against all claims or Damages arising from any acts, omissions, neglect or fault of Sublessor, its officers, agents, contractors, representatives and employees. Sublessor shall further indemnify, defend and hold Subtenant harmless from all claims or Damages arising from any breach or default in the performance of any obligation to be performed by Sublessor under the terms of this Sublease, and from and against all costs, attorneys' fees, expenses and liabilities incurred as a result of or arising out of such claim or any action or proceeding brought thereon.

9.4 Subtenant's Insurance. At all times during the Term and any other period of occupancy, Subtenant at its sole cost and expense, shall keep in full force and effect the following insurance:

9.4.1 Worker's Compensation and Employers' Liability Insurance as required by state law;

9.4.2 A policy of Commercial General Liability Insurance (or an equivalent), insuring Subtenant on an occurrence basis against any liability arising out of the leasing, use, occupancy or maintenance of the Premises. Such insurance shall be in the amount of \$5,000,000 Combined Single Limit for injury to, or death of, one or more persons in an occurrence, and for damage to tangible property (including loss of use) in an occurrence. The policy shall insure the hazards of the Premises and Subtenant's operations thereon, and (a) shall name Sublessor as an additional insured, (b) shall contain a cross liability provision and (c) contain a provision that the insurance provided Sublessor hereunder shall be primary and non-contributing with any other insurance available to Sublessor.

9.4.3 Subtenant may elect to have reasonable deductibles in connection with the policies of insurance required to be maintained by Subtenant under this Section 9. If Subtenant elects to maintain such deductibles, Subtenant shall be liable for paying the full amount of any deductibles in the event of a loss or casualty. Sublessor and Subtenant agree that a deductible of \$10,000 per occurrence shall be a reasonable deductible as of the date of this Sublease.

9.5 Sublessor's Insurance. At all times during the Term and any other period of occupancy, Sublessor, at its sole cost and expense (subject to the provisions of Section 4.2 of this Sublease), shall keep in full force and effect the following insurance:

9.5.1 Standard form property insurance insuring against the perils of fire, extended coverage, vandalism, malicious mischief, special extended all risk coverage and sprinkler leakage. This insurance policy shall be upon the Building and all property located at the Property and owned by Sublessor for which Sublessor is legally liable, and which is located in the Building including, without limitation, furniture, fittings, installations, fixtures, equipment

and any other personal property, in an amount not less than the full replacement value thereof with an "agreed amount" or "stipulated value" endorsement. Such policy, to the extent it covers the Premises, shall name Subtenant as loss payees, as their respective interests may appear and the proceeds thereof shall be used in accordance with Section 10 below.

9.5.2 A policy of Commercial General Liability Insurance (or an equivalent), insuring Sublessor on an occurrence basis against any liability arising out of the ownership, use, occupancy or maintenance of the Property. Such insurance shall be in the amount of \$5,000,000 or more of Combined Single Limit for injury to, or death of, one or more persons in an occurrence, and for damage to tangible property (including loss of use) in an occurrence. The policy shall insure the hazards of the Property and Sublessor's and Subtenant's operations thereon (a) shall contain a cross liability provision and (b) contain a provision that the insurance provided Sublessor hereunder shall be primary and non-contributing with any other insurance available to Sublessor.

9.6 Certificates of Insurance. All policies obtained by Sublessor and Subtenant, hereunder, shall be written in a commercially reasonable form and shall be maintained with insurance companies holding a General Policyholder's Rate of "A" or better, and a financial rating of "VI" or better, as set forth in the most current issue of Best's Key Rating Guide, and shall require ten (10) days advance written notice to Sublessor or Subtenant, as applicable, of any cancellation or modification. Sublessor and Subtenant shall deliver to the other, prior to the time such insurance is first required to be carried under this Sublease, certificates of insurance ("Certificates") evidencing the above coverage with limits not less than those specified above, and, within ten (10) days prior to the expiration of such policies, with renewals or "binders" thereof.

9.7 Waiver of Subrogation. To the extent reasonably available, all policies of property insurance required hereunder or otherwise obtained by either party shall include a clause or endorsement waiving, on behalf of the insurer, any rights of subrogation against the other party. Sublessor and Subtenant each hereby waive any and all rights of recovery against the other or against the officers, directors, shareholders, partners, employees, agents and representatives of the other, on account of loss or Damage occasioned to such waiving party or its property or the property of owners under its control to the extent that such loss or Damage is insured against and recovery is obtained under any policy of insurance required to be carried by such waiving party pursuant to the provisions of this Sublease (or any other policy of insurance carried by such waiving party). Sublessor and Subtenant shall each give notice to their respective insurance carriers that the foregoing mutual waiver of subrogation is contained in this Sublease.

10. DAMAGE OR DESTRUCTION.

10.1 Destruction. If, during the Term, the Premises are totally or partially destroyed by any cause whatsoever, whether from a risk covered by the insurance described in Section 9, from a risk not covered by such insurance, or any combination of such risks, Subtenant shall promptly notify Sublessor of such Damage or Destruction (as defined in Section 24.4 below). Sublessor shall be responsible at its sole cost and expense for the repair

and restoration of any Damage to or Destruction of the Premises; provided, however, that Subtenant shall be responsible for the repair and Restoration (as defined in Section 24.7 below) of any personal property and any Subtenant improvements installed and paid for by Subtenant following the Commencement Date which Subtenant elects to repair or restore.

10.2 Application of Insurance Proceeds. The insurance proceeds payable with respect to the Premises shall be applied to the Restoration of Premises, including Subtenant improvements paid for by Subtenant. Such payments shall be made against properly certified vouchers of a competent architect or contractor in charge of the Restoration and personally and reasonably approved by Sublessor. If Subtenant elects not to restore certain personal property or improvements paid for by Subtenant, any insurance proceeds applicable thereto shall be paid to Subtenant.

10.2.1 If the total estimated costs of restoration of the Premises (other than Subtenant's personal property and improvements paid for by Subtenant), shall exceed any amount of proceeds of insurance applicable thereto and available therefor, such excess shall be borne and paid solely by Sublessor.

10.2.2 If the net proceeds of insurance applicable to the Premises (other than Subtenant's personal property and improvements paid for by Subtenant) exceed the total actual cost of Restoration, the balance remaining after payment of the cost of such Restoration to the Premises shall be paid to Sublessor.

10.2.3 Monthly Rent shall be equitably abated from the date of the occurrence of any Damage until such Damage is fully repaid or restored.

10.3 Subtenant Right to Terminate. Notwithstanding anything herein to the contrary, and excepting any Damage caused by the negligence or intentional misconduct of Subtenant, if such Damage or Destruction to the Premises affects 30% or more of the Rentable Area of the Premises, or if Subtenant's reasonable access to the Premises or ongoing use of the Premises is substantially impaired as a result of any Damage or Destruction, Subtenant shall have the right to terminate Sublease if the reasonably anticipated time to completely repair and restore the Premises to its prior condition will exceed one hundred eighty (180) days from the date of such Damage or Destruction. If the Premises are substantially Damaged (affecting 30% or more of the Rentable Area of the Premises) or totally destroyed during the last twelve (12) months of the Term, either party may terminate this Sublease upon sixty (60) days written notice to the other party, in which event any insurance proceeds shall be paid to the parties in accordance with their respective interests.

10.4 Sublessor Right to Terminate. Notwithstanding Section 10.1, above, if any Damage or Destruction occurs with regard to the Premises which shall reasonably require more than one hundred eighty (180) days from the occurrence thereof for Restoration, or if such Damage or Destruction is caused by a peril not required to be covered by insurance under this Sublease, Sublessor may terminate this Sublease by giving to Subtenant notice thereof within sixty (60) days after such occurrence. The foregoing shall not be deemed to limit any termination right of Subtenant.

11. TAXES.

11.1 Personal Property Taxes. Subtenant shall pay prior to delinquency all taxes assessed against and levied upon Trade Fixtures, furnishings, equipment and all other personal property of Subtenant contained in, on or about the Premises. When practicable, Subtenant shall cause such Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Sublessor.

11.2 Real Property Taxes. Sublessor shall pay all Real Property Taxes levied upon the Land and the Property before the delinquency date. "Real Property Taxes" means all real property taxes, special and extraordinary assessments, including the existing Mello Roos financing, "Poway CFD 88-1," and all other Parkway Business Centre assessments (computed as if paid in permitted installments regardless of whether actually so paid) and other similar governmental levies, assessed against the Property, together with any tax, or other levy, however denominated, on or measured by gross or net rentals received from the rental of land or space or both if similar in nature to, or levied in lieu of Real Property Taxes. Real Property Taxes shall not include any income, franchise, estate, inheritance, succession, capital levy, net income, excess profits or transfer taxes imposed upon Sublessor, or any assessments levied for the sole benefit of Sublessor. Real Property Taxes also shall not include any new taxes or assessments (such as new Mello Roos financing) placed upon the Property with the consent or acquiescence of Sublessor, unless Subtenant also consents thereto. In addition, Real Property Taxes shall not include any taxes or assessments (such as new or existing Mello Roos financing) to the extent that the Property may be disproportionately burdened by the payment of such taxes or assessments as compared to the other properties lying within such taxing or assessment district. If any tax, special or ordinary assessments are imposed or levied with respect to this Sublease, the Property or occupancy thereof in substitution for (in whole or in part), any Real Property Taxes, all such substitutions shall for the purpose of this Sublease be considered as Real Property Taxes regardless of how denominated or the source from which collected. Subtenant shall reimburse Sublessor for Subtenant's Share of the expense associated with such Real Property Taxes pursuant to Section 4.2 of this Sublease.

12. UTILITIES AND CLEANING SERVICE.

Sublessor shall supply or make arrangements for, and pay for, all cleaning services, water, gas, power, electrical current, heat and air conditioning used by or supplied to the Premises. Subtenant shall reimburse Sublessor for Subtenant's Share of the expense associated with such services and utilities pursuant to Section 4.2 of this Sublease.

13. ASSIGNMENT AND SUBLETTING.

13.1 Prohibition Against Transfer. Except as provided elsewhere herein, Subtenant shall neither voluntarily nor by operation of law assign, sell or otherwise transfer all or any part of Subtenant's Subleasehold estate hereunder, or permit any other person (except Subtenant's agents and employees) to occupy the Premises or any portion thereof, without Sublessor's prior written consent, which consent may be granted or withheld in Sublessor's absolute discretion. Notwithstanding the foregoing, Subtenant may, without Sublessor's consent,

assign or sublet all or any portion of the Premises to any parent, affiliate or subsidiary corporation of Subtenant, or to any other person or entity in connection with the merger of, or consolidation with Subtenant, or the acquisition of a substantial portion of the assets of Subtenant.

13.2 Subtenant's Notice. Except as provided in Section 13.1 above, if Subtenant desires at any time to assign this Sublease or to further sublet the Premises or any portions thereof, and if Sublessor's consent thereto is required pursuant to Section 13.1, then Subtenant first shall notify Sublessor of its desire to do so and shall submit in writing to Sublessor (a) the name and legal composition of the proposed subtenant or assignee; (b) the nature of the proposed subtenant's or assignee's business to be carried on in the Premises; (c) the general terms and provisions of the proposed sublease or assignment; and (d) with respect to an assignment, such reasonable business and financial information as Sublessor may reasonably request concerning the proposed assignee. Subtenant shall reimburse Sublessor for Sublessor's reasonable costs actually incurred in connection with the review of a proposed assignment or sublease; provided that such costs shall not exceed \$1,000. The provisions and conditions of any proposed sublease or assignment shall be subject to the terms and provisions of this Sublease. In addition, with respect to an assignment, the assignee must expressly assume all prospective obligations of Subtenant under this Sublease. Notwithstanding the assumption of the obligations of this Sublease by the assignee, no subletting or assignment, even with the consent of Sublessor, shall relieve Subtenant of liability under this Sublease. The obligations and liability of Subtenant hereunder shall continue notwithstanding the fact that Sublessor may accept rent and other performance from the assignee. The acceptance of rent by Sublessor from any other person shall not be deemed to be a waiver by Sublessor of any provision of this Sublease or to be a consent to any assignment or subletting.

14. DEFAULTS; REMEDIES.

14.1 Notice Requirements. The notices required by the provisions set forth below are intended to satisfy any and all notice requirements imposed by law and is not in addition to any such requirements.

14.2 Events of Default by Subtenant. The occurrence of any one or more of the following events shall constitute a material default of this Sublease by Subtenant:

14.2.1 The failure by Subtenant to make any payment of rent or any other payment required to be made by Subtenant hereunder, as and when due, where such failure shall continue for a period of ten (10) days after a written notice thereof from Sublessor to Subtenant; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under Section 1161 of the California Code of Civil Procedure regarding unlawful detainer.

14.2.2 The failure by Subtenant to observe or perform any of the covenants, conditions or provisions of this Sublease to be observed or performed by Subtenant, other than as described in Section 14.2.1 hereof, where such failure shall continue for a period of thirty (30) days after written notice thereof from Sublessor to Subtenant; provided, however, that

any such notice shall be in lieu of, and not in addition to, any notice required under Section 1161 of the California Code of Civil Procedure regarding unlawful detainer; provided further, that if the nature of Subtenant's default is such that more than thirty (30) days are reasonably required for its cure, then Subtenant shall not be deemed to be in default if Subtenant commences such cure within such thirty (30) day period and thereafter diligently prosecutes such cure to completion.

14.2.3 The making by Subtenant of any general assignment for the benefit of creditors; the filing by or against Subtenant of a petition to have Subtenant adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Subtenant, the same is dismissed within ninety (90) days); the appointment of a trustee or receiver to take possession of substantially all of Subtenant's assets located at the Premises, or of Subtenant's interest in this Sublease, where possession is not restored to Subtenant within ninety (90) days; or the attachment, execution or other judicial seizure of substantially all of Subtenant's assets located at the Premises or of Subtenant's interest in this Sublease, where such seizure is not discharged within ninety (90) days.

14.2.4 Notices given pursuant to this Section 14.2 shall specify the alleged default and the applicable Sublease provisions and shall demand that Subtenant perform the provisions of this Sublease or pay the rent that is in arrears, as the case may be, within the applicable period of time or vacate the Premises. No such notice shall be deemed a forfeiture or a termination of this Sublease unless Sublessor so elects in the notice.

14.3 Remedies of Sublessor. Following any material default by Subtenant as defined in Section 14.2 hereof which is not cured within the time set forth therein, and at any time thereafter, and without limiting Sublessor's exercise of any right or remedy which Sublessor may have in law or equity, Sublessor shall have the following remedies:

14.3.1 Sublessor may continue this Sublease in full force and effect, so long as Sublessor does not terminate Subtenant's right to possession, and Sublessor shall have the right to collect rent as and when due.

14.3.2 Sublessor may terminate Subtenant's right to possession of the Premises by any lawful means, in which case this Sublease shall terminate, and Subtenant shall immediately surrender possession of the Premises to Sublessor. In such event Sublessor shall be entitled to recover from Subtenant:

(a) The worth at the time of award of the unpaid rent which has been earned at the time of termination; plus

(b) 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 Subtenant proves reasonably could have been avoided; plus

(c) 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 Subtenant proves could be reasonably avoided; plus

(d) Any other amount necessary to compensate Sublessor for all the detriment proximately caused by Subtenant's failure to perform its obligations under this Sublease or which in the ordinary course of events would be likely to result therefrom.

The "worth at the time of award" of the amounts referred to in Sections 14.3.2(a), (b) and (c) above shall have the meaning defined in Section 1951.2 of the California Civil Code.

14.4 Events of Default by Sublessor. The occurrence of any one or more of the following events shall constitute a material default of this Sublease by Sublessor:

14.4.1 The failure by Sublessor to make any payment required to be made by Sublessor hereunder, as and when due, where such failure shall continue for a period of ten (10) days after a written notice thereof from Subtenant to Sublessor.

14.4.2 The failure by Sublessor to observe or perform any of the covenants, conditions, provisions or warranties of this Sublease to be performed or observed by Sublessor, other than as described in Section 14.4.1 hereof, where such failure shall continue for a period of thirty (30) days after written notice thereof from Subtenant to Sublessor; provided, however, that if the nature of Sublessor's default is such that more than thirty (30) days are reasonably required for its cure, then Sublessor shall not be deemed to be in default if Sublessor commences such cure within such thirty (30) day period and thereafter diligently prosecutes such cure to completion, except with respect to Sublessor's obligations under Section 7.4, in which case Sublessor shall be deemed to be in default if Sublessor does not immediately commence and diligently prosecute such a cure. Notwithstanding the foregoing, nothing herein shall impair Subtenant's right to terminate this Sublease and exercise its remedies in a timely manner pursuant to the provisions of Section 3, 10 or 15 hereof.

14.4.3 The making by Sublessor of any general assignment for the benefit of creditors; the filing by or against Sublessor of a petition to have Sublessor adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Sublessor, the same is dismissed within ninety (90) days); the appointment of a trustee or receiver to take possession of substantially all of Sublessor's assets, or of Sublessor's interest in the Premises where possession is not restored to Sublessor within ninety (90) days; or the attachment, execution or other judicial seizure of substantially all of Sublessor's assets located at the Premises or of Sublessor's interest in this Sublease, where such seizure is not discharged within ninety (90) days.

14.4.4 Notices given pursuant to this Section 14.4 shall specify the alleged default and the applicable Sublease provisions and shall demand that Sublessor perform the provisions of this Sublease or pay the sums that are due, as the case may be, within the applicable period of time. No such notice shall be deemed a forfeiture or termination of this Sublease unless Subtenant so elects in the notice.

14.5 Remedies of Subtenant.

14.5.1 Upon any material default by Sublessor as defined in Section 14.4 hereof, and at any time thereafter, and without limiting Subtenant's exercise of any rights or remedy which Subtenant may have in law or equity, Subtenant may continue this Sublease in full force and effect and pursue all available legal and equitable remedies for the collection of any sums due and the enforcement of Sublessor's obligations under this Sublease and further provided that if Sublessor defaults on its obligations under Section 7.4, Subtenant shall be entitled to effect such maintenance or repair and offset the cost thereof against Subtenant's payments of Monthly Rent.

14.5.2 Notwithstanding any contrary provision in this Sublease, Subtenant shall have no right to offset against any rent or other sums due from Subtenant to Sublessor under this Sublease and no right to terminate this Sublease, other than as expressly set forth herein.

14.6 Arbitration of Disputes. Intentionally omitted.

14.7 Remedies Cumulative; No Waiver. All rights, options and remedies of Sublessor or Subtenant contained in this Sublease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and each party shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law, whether or not stated in this Sublease. No waiver of any default of either party hereunder shall be implied from any acceptance of any rent or other payments due hereunder or any omission by the non-defaulting party to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect defaults other than as specified in such waiver. The consent or approval of Sublessor or Subtenant to or of any act by the other party requiring such consent or approval shall not be deemed to waive or render unnecessary the consenting party's consent or approval to or of any subsequent similar acts by the other party.

14.8 Cure. Either party, at any time after the other party commits a default, may, but is not required to, cure the default at the defaulting party's sole cost and expense. If any party, at any time, by reason of the other party's default, pays any sum or does any act that requires the payment of any sum, the sum paid by the non-defaulting party shall be due immediately from the defaulting party at the time the sum is paid, and, if paid at a later date, shall bear interest at the rate of 10% per annum from the date the sum is paid until reimbursed. If owed by Subtenant, the sum, together with interest on it, shall be additional rent hereunder.

15. CONDEMNATION.

15.1 Definition. As used in this Section 15:

15.1.1 "Condemnation" means (a) the exercise of any governmental power, whether by legal proceedings or otherwise, by a condemnor and (b) a voluntary sale or transfer by Sublessor to any condemnor, while legal proceedings for condemnation are pending.

15.1.2 "Date of Taking" means the date the condemnor has the right to possession of all or part of the Premises or any interest thereon being condemned.

15.1.3 "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial condemnation of the Land, any improvements thereon, any personal property or trade fixtures located at the Premises without regard for the person or entity entitled to recover or receive such award.

15.1.4 "Condemnor" means any public or quasi-public authority having the power of condemnation.

15.2 Taking. If during the Term there is any taking of all or any part of the Premises or any interest in this Sublease by Condemnation, there shall be such division of the proceeds and Award of such Condemnation as provided by California law.

15.3 Entire Taking. If the entire Premises are taken by Condemnation, this Sublease shall terminate effective upon the Date of Taking.

15.4 Partial Taking. If part, but not all, of the Property shall be taken by Condemnation, this Sublease shall terminate as to the part so taken and remain in effect as to the remainder not so taken, except that Subtenant may elect to terminate this Sublease as of the Date of Taking by giving Sublessor written notice of such election within sixty (60) days after such taking if such taking materially interferes with Subtenant's use of the Property. If part, but not all, of the Property is taken by Condemnation, and if Subtenant cannot or does not elect to terminate this Sublease pursuant to this section, then, effective as of the Date of Taking, the Monthly Rent then in effect shall be equitably abated, with the Monthly Rent payable thereafter to be determined by multiplying the Monthly Rent by a fraction, the numerator of which shall be the Fair Market Rent of the Property remaining and the denominator of which is the Fair Market Rent of the Premises immediately prior to the condemnation. With respect to any partial Condemnation of the Premises as to which this Sublease is not terminated as provided in this Section 15.4, if such partial Condemnation affects any Improvements, then Sublessor, at its sole cost and expense, shall restore the Improvements to a condition as close as practical to the condition existing immediately prior to such Condemnation.

16. BROKERS.

Sublessor and Subtenant each represent and warrant to the other that it has neither incurred nor is aware of any brokers', finders' or similar fees in connection with the origin, negotiation, execution or performance of this Sublease (as amended and restated). If either party has dealt with any other real estate broker or agent or any other person in connection with the leasing of any space in the Building, such party shall be solely responsible for the payment of any fee due such person, and such party shall indemnify, defend and hold the other party harmless from and against any liability with respect thereto, including attorneys' fees and costs.

17. SUBLESSOR'S LIABILITY.

The term "Sublessor" as used herein means only the tenant under the Master Lease at the time in question. Upon any transfer of such Master Lease interest, Sublessor may be relieved from obligations to be performed under this Sublease after the effective date of such transfer, only if all of the following conditions are satisfied: (a) the transferee shall have the financial standing and reputation comparable to that of the original Sublessor, and the transferring Sublessor shall provide written evidence to Subtenant of such financial standing and reputation in a form reasonably satisfactory to Subtenant; (b) the transferee shall have fully assumed in writing all of Sublessor's obligations under this Sublease, and Subtenant shall have received a written original counterpart of such assumption agreement; and (c) there shall be no uncured default by Sublessor under this Sublease. The transferring Sublessor shall not be released of any prospective liability under this Sublease until all of the foregoing conditions have been satisfied in full. Nothing in or in connection with such transfer shall be deemed to limit, reduce or constitute a waiver of Subtenant's rights or remedies under this Sublease, including, without limitation, the right to assert all available remedies against Sublessor under this Sublease, even if such remedies relate to a default occurring prior to the acquisition by such Sublessor of its interest in the Premises. Notwithstanding the foregoing, the original Sublessor shall not be released from any liability which arose or occurred prior to the transfer, including but not limited to any warranties or obligations relating to the repair or maintenance of the Premises. If, at the time of such transfer, Subtenant has prepaid rent, Sublessor shall transfer such prepaid rent to its successor. Subject to the foregoing, the obligations contained in this Sublease to be performed by Sublessor shall be binding upon Sublessor's successors and assigns only during their respective periods of ownership.

18. SIGNS.

Subtenant shall have the right to place and maintain a sign or signs (i) at the external entrances to the Premises or on the exterior of the Building outside the 2nd Floor component of the Premises, and (ii) at the current monument sign location which is located on Crosthwaite Circle nearest to the Premises as indicated on Exhibit "C," all as Subtenant may elect; provided, however, that such signs shall be paid for by Subtenant, and shall be subject to the requirements of the Parkway Business Centre CC&Rs and all applicable laws and approved in advance by Sublessor, whose approval shall not be unreasonably withheld.

19. ADDITIONAL WARRANTIES.

19.1 Title. Sublessor warrants and represents to Subtenant that (i) Sublessor has full authority to enter into this Sublease, (ii) as of the Commencement Date, Sublessor is the Tenant under the Master Lease, (iii) Landlord has consented to this Sublease, and (iv) Sublessor intends to acquire fee title to the Land.

19.2 Encumbrances. Sublessor hereby warrants and represents that no part of the Land shall be subject to any encumbrance, easement, reservation, right, right of way, agreement, lien, covenant, condition or restriction which has priority over Subtenant's subleasehold estate arising under this Sublease, except (a) the lien of nondelinquent taxes. Sublessor represents and warrants to Subtenant that no easements, covenants, conditions, restrictions or encumbrances now or hereafter affecting the Premises will at any time adversely

affect or otherwise impair Subtenant's use or occupancy of the Premises, or the rights or remedies of Subtenant under this Sublease. Sublessor shall indemnify, defend and hold Subtenant harmless from any loss, cost, expense or Damages incurred or suffered by Subtenant as a result of any inaccuracy in the foregoing representations and warranty of Sublessor.

20. SURRENDER.

Upon the expiration or earlier termination of the Term, Subtenant shall surrender possession of the Premises to Sublessor in good order, condition and repair, excepting reasonable wear and tear. In such event, Subtenant, at its expense, shall promptly remove or cause to be removed from the Premises all debris, rubbish, furniture, equipment, freestanding cabinet work, shelving, movable partitions, and other similar articles of movable personal property owned by Subtenant or installed or placed by Subtenant at its expense in the Premises, and all similar articles of any other persons claiming under Subtenant. Subtenant also shall repair, at its sole cost and expense, all damages which removals from or Restoration of the Premises may cause.

21. ESTOPPEL CERTIFICATE; SUBORDINATION; NONDISTURBANCE.

21.1 Estoppel Certificate. The parties agree, at any time and from time to time, upon not less than twenty (20) days' prior written notice by either, to execute, acknowledge and deliver to the other, by deposit in the United States mail, a statement in writing certifying that this Sublease is unmodified, in full force and effect (or, if there have been modifications, that the same is in full force and effect as modified, and identifying the modification) and the date to which the rent and other charges have been paid in advance, if any, and whether or not there is any existing default by either party or notice thereof served by either party. Any such statement may be conclusively relied upon by any prospective purchaser, assignee, encumbrancer of the Premises or this Sublease.

21.2 Subordination.

21.2.1 Sublessor represents and warrants that this Sublease shall be, and shall remain at all times, prior to any mortgage, deed of trust or other encumbrance affecting the Property except for encumbrances to which this Sublease is expressly subordinated in writing by Subtenant in accordance with Section 21.2.2 below.

21.2.2 Subtenant agrees, on written request therefor, to subordinate the priority of its interest in this Sublease to the lien of any mortgage, deed of trust or other hypothecation hereafter placed upon the Property; provided the lender under such mortgage or deed of trust also executes a non-disturbance agreement in a form reasonably satisfactory to Subtenant, which provides that so long as Subtenant is not in default under this Sublease, Subtenant's possession of the Property and Subtenant's other rights and privileges under this Sublease shall not be interfered with and shall be honored by the lender, its successors or assigns, and which otherwise provides that should the Property be transferred by foreclosure or by deed in lieu of foreclosure, this Sublease shall continue in full force and effect as a direct Sublease between the then owner of the Property and Subtenant.

21.2.3 If Sublessor or a lender who holds a first mortgage or deed of trust encumbering the Property (the "First Mortgagee") delivers to Subtenant a written request that Subtenant notify such First Mortgagee of any defaults by Sublessor under this Sublease, then Subtenant, upon serving upon Sublessor any notice of default under this Sublease, shall also serve a copy of such notice upon such First Mortgagee at the address specified in such written request. In the event of any such default by Sublessor, the First Mortgagee shall, within the time set for such cure under this Sublease, have a right, but not the obligation, to remedy such default, or to cause the same to be remedied, and Subtenant shall accept such performance by or at the insistence of the First Mortgagee as if the same had been made by Sublessor.

22. QUIET ENJOYMENT.

Sublessor covenants and agrees that Subtenant, upon paying the rent and any and all other charges herein provided for and observing and performing the covenants, agreements and conditions of this Sublease to be observed and performed by Subtenant hereunder shall and may peaceably and quietly have, hold and enjoy the Premises in accordance with this Sublease.

23. GENERAL PROVISIONS.

23.1 Severability. The invalidity, illegality or unenforceability of any provision of this Sublease as determined by a court of competent jurisdiction shall in no way affect the validity, legality or enforceability of any other provision hereof.

23.2 Time. Time is of the essence in the performance of all terms, covenants, warranties and conditions of this Sublease.

23.3 Captions. The article and paragraph captions hereto have been inserted solely as a matter of convenience and such captions in no way shall be deemed to define or limit the scope or intent of any provision of this Sublease.

23.4 Notices. Any notice, request, approval or other communication required or permitted under this Sublease shall be in writing and may be served personally or by certified mail, return receipt requested, postage prepaid, addressed to Sublessor and Subtenant respectively at the addresses set forth in the first paragraph of this Sublease or at such other addresses as may from time-to-time be designated in writing by Sublessor or Subtenant by notice pursuant hereto. A notice shall be deemed given and received on the date of personal delivery, or five (5) days after it is deposited in the United States Mail in accordance with this provision. Any notice sent to Sublessor shall be sent to the attention of Mr. John H. Allen. With respect to any notice sent to Subtenant, a copy shall be concurrently sent to the Vice President of Corporate Real Estate, Anacomp, Inc., 12365 Crosthwaite Circle, Poway, California 92064.

23.5 Waiver. No waiver of any provision hereof shall be deemed a waiver of any other provision hereof. Consent to or approval of any act by one of the parties hereto shall not be deemed to render unnecessary the obtaining of such party's consent to or approval of any subsequent act. The acceptance of rent hereunder by Sublessor shall not be a waiver of any preceding breach by Subtenant or any provision hereto, other than the failure of Subtenant to pay

the particular rent so accepted, regardless of Sublessor's knowledge of such preceding breach at the time of acceptance of such rent.

23.6 Holding Over.

23.6.1 If Subtenant holds possession of all or any part of the Premises after expiration of the Term of this Sublease without Sublessor's consent, Subtenant shall become a Subtenant at sufferance only upon the date of such expiration or earlier termination, and in such case the Monthly Rent payable by Subtenant shall be adjusted as follows: (a) for the first thirty (30) days following the Termination Date (as defined below), the Monthly Rent shall remain the same as it was prior to such Termination Date; (b) for the thirty-first (31st) through the ninetieth (90th) days following the Termination Date the Monthly Rent shall equal 125% of the Monthly Rent payable immediately prior to the Termination Date; (c) for the period commencing with the ninety-first (91st) day following the Termination Date, and thereafter, the Monthly Rent shall be 150% of the Monthly Rent payable immediately prior to the Termination Date. As used herein, the term "Termination Date" means the earlier to occur of (a) the scheduled expiration date of the term of this Sublease, (b) with respect to any earlier termination by reason of a default by Subtenant, the date which a court of competent jurisdiction renders a final judgment terminating this Sublease and ordering Subtenant to vacate the Property or (c) with respect to an early termination by reason of Sublessor's exercise of its right to terminate this Sublease in accordance with Section 3 above, the effective date of such early termination. Any such tenancy at sufferance shall be subject to every other term, covenant and agreement contained herein.

23.6.2 The foregoing provisions of this Section 23.6 are in addition to and do not affect Sublessor's right to re-entry or any other rights of Sublessor hereunder or as otherwise provided by law.

23.7 Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but, wherever possible, shall be cumulative with all other remedies at law or in equity.

23.8 Successors. Subject to any provision in this Sublease restricting assignment, subletting or other transfers by Sublessor or Subtenant, each and all of the covenants, agreements, obligations, conditions and provisions of this Sublease shall inure to the benefit of and shall bind (as the case may be) not only the parties hereto but each and all of the heirs, executors, administrators, successors and assigns of the respective parties hereto. Whenever a reference is made herein to Sublessor or Subtenant, such reference shall be deemed to include the respective heirs, executors, administrators, successors and assigns of Sublessor or Subtenant. All of the promises, covenants, agreements, obligations, conditions and provisions contained in this Sublease shall be construed to be, and as, covenants running with the Land, in the case of Sublessor, and covenants running with Subtenant's subleasehold interest, in the case of Subtenant, subject to the provisions of this Sublease.

23.9 Choice of Law. This Sublease shall be governed by the laws of the State of California.

23.10 Attorneys' Fees. If either party hereto brings an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action, on trial or appeal, shall be entitled to recover, as an element of the costs of suit, and not as damages, reasonable attorney's fees and other costs of suit to be determined by the court and to be paid by the losing party.

23.11 Entry by Sublessor. Sublessor and Sublessor's authorized representatives and agents shall have the right to enter the Premises during business hours and upon prior notice to Subtenant of not less than 48 hours for the purpose of inspecting same, showing the same to prospective purchasers or lenders, and making such alterations, repairs, improvements or additions to the Premises as Sublessor may be required or permitted to make hereunder.

23.12 Subtenant's Authority. Subtenant is a corporation; each individual executing this Sublease on behalf of such corporation represents and warrants that he is duly authorized to execute and deliver this Sublease on behalf of such corporation, in accordance with a duly adopted resolution of the board of directors of that corporation or in accordance with the bylaws of such corporation, and that this Sublease is binding upon such corporation in accordance with its terms. Subtenant, concurrently upon execution of this Sublease, shall deliver to Sublessor a certified copy of resolution of the Board of Directors of such corporation authorizing or ratifying the execution of this Sublease.

23.13 No Third Party Rights Conferred. Except as otherwise provided herein, nothing expressed or implied is intended, or shall be construed, to confer upon or grant to any third person any rights or remedies under or by reason of any term or condition contained in this Sublease.

23.14 Integration. This Sublease and the documents referred to herein and the agreements attached hereto as exhibits cover in full each and every agreement of every kind or nature whatsoever between the parties hereto concerning the Property and all preliminary negotiations and agreements of whatsoever kind or nature are merged herein. No verbal agreement shall be held to vary the provisions hereof, any law or custom to the contrary notwithstanding.

23.15 Number; Gender. Whenever the context of this Sublease requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural.

23.16 Quitclaim Deed. At the expiration or earlier termination of the Term, Subtenant shall execute, acknowledge and deliver to Sublessor, within twenty (20) days after written demand from Sublessor, any quitclaim deed or other document reasonably required by any reputable title company to remove the cloud of this Sublease from the title of the real property subject to this Sublease.

23.17 Construction. The parties intend that this Sublease be construed as an operating Sublease, and not as a financing Sublease.

23.18 Consents. Unless otherwise specifically provided in this Sublease, whenever consent or approval of either party is required, that party shall not unreasonably withhold such consent or approval.

23.19 Exhibits. Exhibits A through C, inclusive, are each attached to this Sublease and are incorporated herein by reference. Any reference to the term "Sublease" also shall be deemed to refer to any applicable exhibit.

23.20 Modification. None of the covenants, terms or conditions of this Sublease to be kept and performed by Sublessor or by Subtenant shall be altered, waived, modified, changed or abandoned in any manner, except by a written instrument, duly executed (and, where applicable, acknowledged) and delivered by the parties hereto.

23.21 No Partnership. Nothing in this Sublease, including the agreements of Subtenant contained herein, shall be construed to indicate in any way that Subtenant is a partner of, or a joint venturer with, Sublessor in respect of any construction required or permitted hereby or any other matter.

23.22 No Arbitration. Any disputes between the parties hereto shall not be submitted to arbitration unless the parties mutually, at the sole discretion of each party, agree in writing to do so.

24. CERTAIN DEFINITIONS.

The capitalized terms or phrases defined in this Sublease or in any exhibit to this Sublease shall be used to interpret this Sublease. Unless the context otherwise specifies or requires, the following words and phrases when used in this Sublease, in addition to words or phrases defined above, shall have the following meanings:

24.1 Alterations. "Alterations" means any repair, Restoration, addition, change or improvement to or modification of the Property (including the Premises), Land, interior or exterior of the Building or Improvements or any other structure now or hereafter located on the Land.

24.2 Damage. "Damage" means injury, deterioration or loss to a person or property. Damage also shall include the death of any person.

24.3 Damages. "Damages" means monetary compensation or indemnity that can be recovered in the courts by any person who has suffered injury to his person, property or rights.

24.4 Destruction. "Destruction" means any Damage to or disfigurement of the Property or the Premises and any Alterations.

24.5 Laws. "Laws" means any judicial decision, statute, constitutional provision, ordinance, resolution, regulation, rule, administrative order, or other requirement of any municipal, county, state, federal or other governmental agency or authority having

jurisdiction over the parties, the Property (including the Premises) or activities performed on or about the Property (including the Premises), or any of the them, in effect either at the Effective Date or at any time during the Term, including, but not limited to, any regulation or order of a quasi-official entity or body (e.g., Board of Fire Examiners or public utilities), zoning and similar laws, any of the statutes and regulatory provisions described in Section 6, and applicable building codes.

24.6 Rentable Area. The "Rentable Area" or "rentable square footage" of the Premises shall be determined by measuring the Usable Areas of the Premises and applying a "R/U Ratio" equal to twelve percent (12%), as determined in accordance with the Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA Z65.1-1996 (the "BOMA" Standard). By way of example, if a measurement determines that the Premises are comprised of a Usable Area of 53,572 square feet, the Rentable Area of the of the Premises shall be 60,000 square feet.

24.7 Restore; Restoration. "Restore" or "Restoration" means the reconstruction, rebuilding, rehabilitation and repairs that are necessary to return destroyed portions of the Property and other property to substantially the same physical condition as they were in immediately before the destruction.

24.8 Trade Fixtures. "Trade Fixtures" means any property installed in or on the Premises by Subtenant, including, without limitation, any property installed for purposes of trade, manufacture, ornament and related uses, the removal of which can be accomplished without any non-repairable structural damage to the Premises or any portion thereof.

IN WITNESS WHEREOF Sublessor and Subtenant have duly executed this Sublease on the day and year first written above.

Sublessor:

Subtenant:

COHU, INC., A DELAWARE CORPORATION

ANACOMP, INC., AN INDIANA CORPORATION

By: /s/ John H. Allen

By: /s/ George C. Gaskin

Print Name: John H. Allen

Print Name: George C. Gaskin

Print Title: VP Finance & CFO

Print Title: Senior Vice President

EXHIBITS TO SUBLEASE

Exhibit A	Legal Description of the Land
Exhibit B	Building Floor Plan
Exhibit C	Parking Areas/Sign Locations
Exhibit D	Non-Disturbance Agreement

EXHIBIT A

Legal Description of the Land

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

PARCELS 101, 102 AND 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 AS FILE NO. 90-655448 OF OFFICIAL RECORDS.

EXHIBIT B
Building Floor Plan

EXHIBIT C
Parking Areas

EXHIBIT D

SUBLEASE NONDISTURBANCE AGREEMENT

This SUBLEASE NONDISTURBANCE AGREEMENT ("Agreement") is entered into on October 26, 2000, by and between IPX CAMELBACK, LLC, an Arizona limited liability company ("Master Lessor"), COHU, Inc., a Delaware corporation ("Sublessor"), and ANACOMP, INC., an Indiana corporation ("Subtenant"), with reference to the following facts and circumstances:

RECITALS

A. Prior to the date of this Agreement, as intermediary for Sublessor, Master Lessor entered into an agreement to purchase from Burnham Pacific Operating Partnership, L.P., a Delaware limited partnership ("BPP") that certain real property (the "Property") as more fully described in Exhibit "A" attached hereto, which is improved with an industrial and office building, together with all related improvements, located at 12365 Crosthwaite Circle, Poway, California 92064. The close of escrow of the purchase and sale of the Property is scheduled to close on October 27, 2000.

B. Concurrent with the close of escrow, Master Lessor, as Landlord, and Sublessor, as Tenant, will enter into that certain Lease, dated as of October 27, 2000 (the "Master Lease"), pursuant to which Landlord will lease the Property to Sublessor, a copy of which Master Lease is attached to this Agreement as Exhibit "B."

C. Concurrent with the execution of this Agreement, Sublessor, as sublessor, and Subtenant, as subtenant, have entered into that certain Sublease Agreement, dated as of October 26, 2000 (the "Sublease"), pursuant to which Sublessor agreed to sublease the Property to Subtenant, a copy of which Sublease is attached to this Agreement as Exhibit "C."

D. The Sublease recites that it does not become effective until Sublessor obtains and delivers to Subtenant a nondisturbance agreement with Master Lessor whereby Master Lessor agrees, for itself and its assigns, to recognize Subtenant's occupancy rights under the Sublease and not to disturb Subtenant's occupancy rights under the Sublease, even following a termination of the Master Lease, so long as Subtenant is not in default under the Sublease.

Therefore, in consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Master Lessor, Sublessor and Subtenant, hereby agree as follows:

AGREEMENT

1. NonDisturbance of Subtenancy. So long as Subtenant is not in default in the performance of any of material term, covenant, obligation or condition of the Sublease, regardless of any termination of the Master Lease, whether due to a default thereunder by

Sublessor (as tenant), expiration of the term thereof or otherwise, Master Lessor (i) shall not join Subtenant as a party defendant in any action or proceeding for the direct or indirect purpose of terminating Subtenant's interest and estate under the Sublease, including because of any default by Sublessor, as tenant, under the Master Lease, (ii) shall not disturb Subtenant's occupancy of the Premises (as defined in the Sublease), and (iii) shall honor, and not interfere with, Subtenant's other rights and privileges under the Sublease.

2. Attornment. If the Master Lease is terminated for any reason, all of Sublessor's interests, as sublessor under the Sublease, shall be deemed automatically assigned, transferred, and conveyed to, and assumed by, Master Lessor and Master Lessor shall thereafter be bound on and to the Sublease to the same extent Sublessor (as sublessor) was bound on the Sublease to Subtenant, and shall have all the same rights under the Sublease that Sublessor (as sublessor) had under the Sublease and Subtenant shall attorn to Master Lessor.

3. Obligations of Master Lessor. Notwithstanding any other provision contained herein or contained in the Sublease, upon termination of the Master Lease for any reason, Master Lessor shall in no way be held responsible for any of the Sublessor's indemnifications of the Subtenant under the Sublease, including but not limited to the indemnifications and potential duties and liabilities pertaining to Hazardous Substances.

4. Fee Owner's Right to Sell. Notwithstanding any other provision contained herein or contained in the Sublease, this agreement shall be binding only for as long as Master Lease remains on title to the Property. Upon default by Sublessor under the Master lease or under the Lease and Real Estate Purchase Option Agreement, Master Lessor shall retain the right to sell the property in a manner consistent with the terms of the Lease and Real Estate Purchase Option Agreement. Upon transfer of title, Master Lessor shall be released from all obligations under both this agreement and under the Sublease. Subtenant agrees that the only cause of action for damages resulting from said transfer shall be against Subtenant and not against Master Lessor.

5. Attorneys' Fees. If either party should bring an action to enforce the terms of this Agreement or declare rights under this Agreement, the prevailing party in such action shall be entitled to reasonable attorneys' fees, costs and expenses to be paid by the losing party in such action, except that if the losing party is Master Lessor then Sublessor will pay all reasonable attorney's fees, costs and expenses.

6. Miscellaneous. This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors and permitted assigns. Counsel for all parties have read and approved the language of this Agreement. The provisions of this Agreement shall be construed as a whole according to their common meaning and not strictly for or against Tenant or Landlord. This Agreement may not be amended, changed or waived except by a writing signed by the parties hereto, and shall be construed and enforced in accordance with the laws of the State of California. This Agreement supersedes any prior oral agreements between the parties with respect to the subject matter hereof, and the parties acknowledge that there are no oral agreements between them with regard to such subject matter. This Agreement

may be executed in multiple counterparts, each of which shall be deemed a duplicate original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed this Nondisturbance Agreement on the date first written above.

MASTER LESSOR:

IPX Camelback, LLC, an Arizona limited liability company

By: Pacific American Property Exchange Corporation, a California corporation

Its: Sole Member

By: /s/ Michelle Sevchik

Michelle Sevchik, Transaction Supervisor

SUBLESSOR:

Cohu, Inc., a Delaware corporation

By: /s/ John H. Allen

John H. Allen, VP Finance/CFO

SUBTENANT:

Anacomp, Inc., an Indiana corporation

By: /s/ George C. Gaskin

George C. Gaskin, Senior Vice President

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-63818, 33-60735, 333-16293, 333-62803, 333-27663 and 333-40610) pertaining to the Cohu, Inc. 1992, 1994, 1996 and 1998 Stock Option Plans, 1996 Outside Directors Stock Option Plan and 1997 Employee Stock Purchase Plan of our report dated January 30, 2001, with respect to the consolidated financial statements and schedule of Cohu, Inc. included in this Annual Report (Form 10-K) of Cohu, Inc. for the year ended December 31, 2000.

/s/ ERNST & YOUNG LLP

San Diego, California
March 8, 2001