

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Check One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED) For the fiscal year ended April 2, 2000 OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission File No. 0-12695

INTEGRATED DEVICE TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Delaware 94-2669985
(State or other jurisdiction I.R.S. Employer Identification No.)
of incorporation or organization)

2975 Stender Way, Santa Clara, California 95054
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (408) 727-6116

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$.001 par value 5.5%
Convertible Subordinated Notes due 2002
Preferred Stock Purchase Rights
(Title of class)

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 the Registrant's Common Stock held by non-affiliates of the Registrant was approximately \$3,999,150,000 as of May 26, 2000, based upon the closing sale price of \$39.625 per share on the Nasdaq National Market for that date. Shares of Common Stock held by each executive officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were 103,193,600 shares of the Registrant's Common Stock issued and outstanding as of May 26, 2000.

DOCUMENTS INCORPORATED BY REFERENCE

Items 10, 11, 12, and 13 of Part III incorporate information by reference from the Proxy Statement for the 2000 Annual Meeting of Stockholders.

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PART I

All non-historical information contained in this discussion and analysis constitutes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are not guarantees of future performance and involve a number

of risks and uncertainties, including but not limited to: operating results; new product introductions and sales; competitive conditions; capital expenditures and capital resources; manufacturing capacity utilization, and the Company's efforts to consolidate and streamline production; customer demand and inventory levels; protection of intellectual property in the semiconductor industry; and the risk factors set forth in the section "Factors Affecting Future Results." Future results may differ materially from such forward-looking statements as a result of such risks. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof.

ITEM 1. BUSINESS

Integrated Device Technology, Inc. ("IDT" or the "Company") designs, develops, manufactures and markets a broad range of high-performance semiconductor products and modules. Applications for IDT's products include: data networking and telecommunications equipment, such as routers, hubs, switches, cellular base stations and other devices; storage area networks (SANs); other networked peripherals and servers; and personal computers.

The Company markets its products on a worldwide basis primarily to OEMs (original equipment manufacturers) through a variety of channels, including a direct sales force, distributors and independent sales representatives. A significant portion of the Company's sales are to contract electronic manufacturers (CEMs). Certain of the Company's larger OEM customers buy products from these CEMs which incorporate IDT products.

The Company attempts to differentiate its products from competitors' products through advanced architectures and features, enhanced performance, reduced system cost and packaging options. IDT fabricates substantially all of its semiconductor wafers using advanced CMOS (complementary metal oxide silicon) process technology in its own wafer fabrication facilities.

In fiscal 2000, the Company completed the acquisition of Quality Semiconductor, Inc. ("QSI"). QSI had been engaged in the design, development and marketing of high-performance logic and networking semiconductor products.

IDT was incorporated in California in 1980 and reincorporated in Delaware in 1987. The terms the "Company" and "IDT" refer to Integrated Device Technology, Inc. and its consolidated subsidiaries, unless the context indicates otherwise.

PRODUCTS AND MARKETS

The Company operated in three business segments during the three fiscal years ended April 2, 2000:

- o Communications and High-Performance Logic
- o SRAMs and Other
- o x86 Microprocessors

Trademark notice: RISController, SuperSync, and Zero Bus Turnaround are trademarks of Integrated Device Technology, Inc. QSI and QuickSwitch are trademarks of Quality Semiconductor, Inc., a wholly owned subsidiary of Integrated Device Technology, Inc. ZBT is a registered trademark of Integrated Device Technology, Inc., and the architecture is supported by Micron and Motorola.

The Communications and High-Performance Logic segment includes communications memories, communications applications-specific standard products (ASSPs), embedded RISC microprocessors and high-performance logic and clock-management devices. The SRAMs and Other segment consists mainly of high-speed SRAMs (static random access memories).

Products in the SRAM and Other segment are generally characterized as commodity (or industry standard) products which typically have exhibited lower gross margins and high unit volumes. Products in the Communications and High-Performance Logic segment, with the exception of some logic devices, tend

to have lower unit sales and higher margins. Products in these segments are also manufactured using different levels of process technology. A significant portion of the wafers produced for the SRAMs and Other segment are fabricated at IDT's advanced technology, eight-inch wafer production facility in Hillsboro, Oregon. Most wafers for the Communications and High-Performance Logic segment are produced at IDT's older, six-inch facility located in Salinas, California, although certain new communications memories, network products and embedded processors are being introduced into production at the Hillsboro facility.

The Company offers approximately 1,750 products in 11,200 product configurations. IDT's product design efforts are focused on differentiated components and integration of its components into single devices, modules or subsystems to meet the needs of its customers.

During fiscal 2000, the Communications and High-Performance Logic, SRAMs and Other and x86 Microprocessors segments accounted for approximately 71%, 28% and 1% respectively, of total IDT revenues of \$701.7 million.

Communications and High-Performance Logic Segment

Communications Products and Networking Devices. The Company's communications products in this segment are either proprietary or have limited alternative sources of supply. These include FIFO memories, multi-port memories, and communications ASSPs that offer high-performance features for communications and networking systems. FIFO memories are used as rate buffers to transfer large amounts of data at high speeds between separate devices or pieces of equipment operating at different speeds within a system, when the order of the data to be transferred needs to be controlled. New families of FIFO memories also perform data organizing functions such as adapting the width and speed of incoming data to system requirements. Multi-port memory products are used to speed data transfers and act as the link between multiple microprocessors and the same memory bank, or between microprocessors and peripherals. These products are currently used primarily in peripheral interface, wireless communications and networking products, including switches and wireless base stations. IDT's network products family uses emerging network technology designed to support higher bandwidth applications in the convergence of voice, data and wireless networks.

IDT is a leading supplier of both synchronous and asynchronous FIFO memories and has increasingly focused its resources on the design of synchronous FIFO memories. Synchronous FIFO memories have been gaining greater market acceptance because they are faster and provide an easier user interface than asynchronous FIFO memories. IDT's family of 9-bit, 18-bit and 36-bit Sync FIFO memories are being used in many newer, more powerful networking and telecommunications products. IDT believes that the SuperSync(TM) II family of FIFO memories provides the highest density (4-Mbit), highest performance (133MHz) and broadest feature sets commercially available.

The Company is also a leading supplier of multi-port memory products. IDT's family of multi-port memories is composed of dual-port asynchronous devices, four-port products, and synchronous dual-port devices, including what the Company believes to be the highest-density (1-Mbit), highest-performance (166MHz) and widest word-width (x36) dual-ports commercially available.

Communications ASSP products include an ATM switching chipset, ATM segmentation and reassembly controllers, and physical interface and muxing/demuxing devices that are used to interconnect systems and facilitate data transmission in networks.

Logic and Clock Management Products. IDT is a leading manufacturer of high-speed, byte-wide and double-density 16-bit CMOS logic circuits for high-performance applications. Logic circuits control data communication between various elements of electronic systems, such as between a microprocessor and a memory circuit. IDT offers a wide range of logic circuits products that support bus and backplane interfaces, memory interfaces and other logic support applications where high speed and low power are critical. IDT's logic circuits are used in a broad range of markets. The Company recently introduced Advanced Low Voltage CMOS (ALVC) and Low Voltage CMOS (LVC) logic products. These low voltage products are expected to represent a rapidly growing sector of the high-performance logic market.

IDT's 16-bit logic products are available in small, thin packages, enabling board area to be reduced. These products are designed for applications in which small size, low power and extra low noise are as important as high speed.

The Company also offers a family of clock drivers and clock generators. These devices, placed at critical positions in a system, correct the degradation of timing that occurs the further the impulses travel from the main system clock.

IDT completed its acquisition of QSI in fiscal 2000. QSI's products are largely complementary to IDT's logic product lines and include the QuickSwitch(R) bus switch and TurboClock(TM) clock management families.

Embedded RISC Microprocessors. IDT markets its RISController(TM) microprocessors which represent a broad line of 32-bit and 64-bit stand alone processors and integrated processors based on the MIPS architecture. IDT is a leading supplier of MIPS processors to the communications and networking markets.

The Company focuses its RISC microprocessor marketing efforts primarily on the embedded controller market. Embedded controllers are microprocessors that control a single device such as a network router or switch, printer or set-top box. The Company provides its customers with integrated solutions for embedded control, including engineering tools such as RTOS (Real Time Operating System), compilers, reference designs and technical support.

Shortly after the end of fiscal 2000, IDT introduced its first integrated processor based on its RC32300 32-bit core. This device incorporates an SDRAM controller, PCI bridge, and two serial ports. The RC32334 utilizes IDT's unique IPBus, a hardware interconnect approach that enables more rapid integration of intellectual property (IP) blocks with the CPU core. This product represents the first in what is expected to be a family of integrated processors from IDT.

SRAMs and Other Segment

SRAMs are memory circuits used for storage and retrieval of data during the operation of a communications or computing system. Unlike DRAMs (dynamic random access memories), SRAMs do not require electrical refreshment of the memory contents to ensure data integrity, allowing them to operate at high speeds. SRAMs include substantially more circuitry than DRAMs, resulting in higher production costs for a given amount of memory, and generally command higher selling prices than the equivalent density traditional DRAM products. The market for SRAMs is fragmented by differing demands for speed, power, density, organization and packaging.

Historically, the Company focused primarily on the cache memory segment of the SRAM market. But, in fiscal 2000, the PC/server cache segment represented a very small percentage of IDT's SRAM revenues, and it is not expected to contribute significantly to the Company's future revenues. IDT's family of ZBT(R) (Zero Bus Turnaround(TM)) SRAMs eliminate wait states between read and write cycles and are targeted at meeting the specific needs of communications customers.

To provide SRAM products that meet the varying needs of its customers, IDT offers 16K, 64K, 256K, 1-Mbit and 4-Mbit SRAMs in a number of speed, organization, power and packaging configurations. Higher density SRAM products and products with additional features believed to be important to the data networking markets, are in the development stage.

x86 Microprocessors Segment

The Company completed the sale of x86 intellectual property and its x86 design subsidiary to Via Technologies, Inc. ("Via"), a Taiwanese company, and its partners in fiscal 2000 (see Note 14 to the Consolidated Financial Statements). The Company also entered into a patent cross license agreement with Via relating to certain non-x86 IDT patents. The Company does not expect to realize any future revenues from the sale of x86 products.

Customers

The Company markets and sells its products on a worldwide basis primarily

to OEMs in its three business segments. Products in the Communications and High-Performance Logic segment are sold primarily to communications customers. Although products in the SRAMs and Other segment are general purpose in nature, IDT supplies the majority of its products in this segment to its communications customers. Customers often purchase products from more than one of the Company's product families. No one OEM direct customer accounted for 10% or more of the Company's revenues in fiscal 2000, 1999 or 1998. A significant portion of the Company's sales are to CEMs. When considering sales through all sales channels (OEM direct, distribution and contract manufacturing), one end customer, Cisco Systems, Inc. ("Cisco"), accounts, in aggregate, for more than 10% of the Company's revenues. Because of limitations in the amount of end customer data made available to IDT by its CEM customers, IDT is not able to precisely determine the aggregate percentage of its sales which are attributable to Cisco. However, based upon the best available information, IDT estimates that end-customer sales to Cisco range between approximately 15-20% of IDT's revenues, depending on product mix consumed.

Marketing and Sales

IDT markets and sells its products primarily to OEMs through a variety of channels, including a direct sales force, distributors and independent sales representatives. The Company also markets and sells products to CEMs.

The Company had 73 direct sales personnel in the United States as of April 2, 2000. Such personnel are based at the Company's headquarters and in 18 sales offices in Alabama, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Minnesota, New Jersey, North Carolina, Oregon and Texas, and are primarily responsible for marketing and sales in those U.S. areas. IDT also utilizes three national distributors, Avnet, Inc., Wyle Laboratories and Insight Electronics, Inc., and several regional distributors in the United States. Worldwide sales to Avnet, Inc. accounted for approximately 19%, 22% and 15% of the Company's revenues in fiscal 2000, 1999 and 1998, respectively. In addition, IDT uses independent sales representatives, which generally take orders on an agency basis while the Company ships directly to the customer. The representatives receive commissions on all products shipped to customers in their geographic area.

In addition, the Company had 71 direct sales personnel and 14 sales offices located outside of the United States as of April 2, 2000. Sales activities outside North America are generally conducted by IDT's subsidiaries located in France, Germany, Hong Kong, Israel, Italy, Korea, Japan, Singapore, Sweden and the United Kingdom. The Company also has sales offices in Taiwan, Malaysia, the Netherlands and Finland. A significant portion of export sales continues to be made through international distributors in Europe, Asia-Pacific and Japan. During fiscal 2000, 1999 and 1998, non-U.S. sales accounted for approximately 38%, 37% and 39% of total revenues, respectively. Sales outside the United States, except for Japan, are generally denominated in the U.S. dollar. Sales and other financial information for foreign operations is included in Note 11 of the Notes to Consolidated Financial Statements contained elsewhere in this Form 10-K. Export sales are subject to certain risks, including currency controls and fluctuations, changes in local economic and political conditions, import and export control, and changes in tax laws, tariffs and freight rates.

The Company's distributors typically maintain an inventory of a wide variety of products, including products offered by IDT's competitors. IDT's distributors provide inventory management and logistics programs for their customers and also handle small or rush orders. A portion of the Company's sales is made to distributors under agreements which allow certain rights of return and price protection on products unsold by the distributors. Related revenues and costs of revenues thereon are deferred until the products are resold by the distributors.

Manufacturing

IDT believes that maintaining its own wafer fabrication capability facilitates the implementation of advanced process technologies, provides the Company with a reliable source of supply of semiconductors and allows it to be more flexible in shifting production according to product demand. The Company currently operates sub-micron wafer fabrication facilities in Hillsboro, Oregon and Salinas, California. The Oregon facility first contributed to revenues beginning in fiscal 1997. The 192,000 square foot facility, which produces

substantially all of the wafers fabricated for IDT's SRAMs and Other segment, contains a 48,000 square foot, class 1 (less than one particle 0.5 micron or greater in size per cubic foot), eight-inch wafer fabrication line. The Salinas facility, first placed in production in fiscal 1986, includes a 24,000 square foot, class 3 (less than three particles 0.5 micron or greater in size per cubic foot), six-inch wafer fabrication line. Most wafers for the Company's Communications and High-Performance Logic segment are produced at the Salinas plant.

IDT supplements its internal wafer fabrication capacity with subcontract wafer manufacturing capacity.

In fiscal 2000, as part of the merger with QSI, the Company acquired a 41,000 square foot wafer fabrication facility with approximately 5,500 square feet of clean room space in Sydney, Australia, and other manufacturing assets which were used to produce wafers for logic product families acquired from QSI. In May 2000, the Company completed the sale of these and other surplus manufacturing assets.

IDT also operates two component assembly and test facilities, a 145,000 square foot facility in Penang, Malaysia and a 176,000 square-foot facility near Manila, the Philippines. Substantially all of the Company's test operations and a significant portion of its assembly operations are performed at its Malaysian and Philippines facilities. IDT also uses subcontractors, principally in Korea, the Philippines and Malaysia, to perform certain assembly and burn-in operations. If IDT were unable to assemble or test products offshore, or if air transportation to these locations were curtailed, the Company's operations could be materially adversely affected. Additionally, foreign manufacturing exposes IDT to certain risks generally associated with doing business abroad, including foreign governmental regulations, currency controls and fluctuation, changes in local economic and political conditions, import and export controls, and changes in tax laws, tariffs and freight rates. In addition to this offshore assembly and test capability, the Company has the capacity for low-volume, quick-turn assembly in its Santa Clara, California facilities as well as limited test capabilities in Salinas.

The Company utilizes proprietary CMOS process technology permitting sub-micron geometries in its fabrication facilities. The majority of IDT's current products are manufactured using its proprietary 0.5, 0.35, 0.25 and 0.18 micron processes. The Company is expanding use of its 0.18 micron CMOS processes in its Hillsboro facility. The Company continues to develop advanced versions of its 0.18 micron processes as well as processes below 0.18 microns.

Wafer fabrication involves a highly sophisticated, complex process that is extremely sensitive to contamination. Integrated circuit manufacturing costs are primarily determined by circuit size because the yield of good circuits per wafer generally increases as a function of smaller die. Other factors affecting costs include wafer size, number of process steps, costs and sophistication of manufacturing equipment, packaging type, process complexity and cleanliness. IDT's manufacturing process is complex, involving a number of steps including wafer fabrication, plastic or ceramic packaging, burn-in and final test. The Company continually makes changes to its manufacturing process to lower costs and improve yields. From time to time, the Company has experienced manufacturing problems that have caused delays in shipments or increased costs. Manufacturing problems at its wafer fabrication, assembly or test facilities could materially adversely affect the Company's results of operations.

The Company is dependent on a limited number of suppliers of raw materials (see "Factors Affecting Future Results.")

Backlog

The Company's backlog of orders as of April 2, 2000 was approximately \$288.6 million (\$142.1 million as of March 28, 1999). The Company defines backlog as all confirmed, unshipped orders. IDT manufactures and markets both products with limited or no second sources and industry-standard products. Sales are generally made pursuant to purchase orders, which are frequently revised to reflect changes in the customer's requirements. The Company has also entered into master purchase agreements with many of its OEM customers. These agreements do not require the OEMs to purchase minimum quantities of the Company's products. Product deliveries are scheduled upon the Company's receipt of

purchase orders under the related OEM agreements. Generally, these purchase orders and OEM agreements, especially those for standard products, also allow customers to reschedule delivery dates and cancel purchase orders without significant penalties. Orders, especially for industry standard products, are frequently made with very short lead times, rescheduled, revised or canceled. In addition, distributor orders are subject to price adjustments both prior to and after shipment. For these reasons, IDT believes that backlog should not be used as an indicator of future revenues.

Research and Development

IDT's competitive position has been established, to a large extent, through its emphasis on the development of both proprietary and enhanced-performance, industry standard products, as well as the development of the Company's advanced CMOS processes. IDT believes that its focus on continually advancing its process technologies has allowed the Company to achieve cost reductions in the manufacture of most of its products. The Company believes that a continued high level of research and development expenditures is necessary to retain its competitive position. The Company maintains research and development centers in Santa Clara, California; Hillsboro, Oregon; and Atlanta, Georgia. In June 2000, the Company announced that it is opening a design center near Dallas, Texas. Also, with the acquisition of QSI, the Company now has a design center in Sydney, Australia. Research and development expenditures, as a percentage of revenues, were approximately 15%, 24% and 20% in fiscal 2000, 1999 and 1998, respectively.

The Company's product development activities are focused on the design of new circuits that provide new features and enhanced performance primarily for growing communications markets applications. In the communications products area, IDT's efforts are concentrated on the development of advanced synchronous FIFO memories, more sophisticated multi-port memory products for the communications market and other families of products which feature the integration of the Company's logic and memory technologies. Additionally, the Company continues its efforts to develop a family of specialty products for the network products market and a family of lower voltage logic devices for a broad range of applications. The Company is emphasizing the design of integrated RISC-based controllers for internet related embedded control applications. The Company also continues to refine its CMOS process technology to increase the speed and density of circuits in order to provide customers with advanced products at competitive prices. The Company continues to refine its CMOS process technology focusing on 0.18 micron and below geometry processes, and converting the production of products to newer generation processes.

Competition

The semiconductor industry is intensely competitive and is characterized by rapid technological advances, cyclical market patterns, price erosion, evolving industry standards, occasional shortages of materials, intellectual property disputes, high capital equipment costs and uncertain availability of and control over manufacturing capacity. Many of the Company's competitors have substantially greater technical, marketing, manufacturing and financial resources than IDT. In addition, several foreign competitors receive assistance from their governments in the form of research and development loans and grants and reduced capital costs, which could give them a competitive advantage. The Company competes in different product areas, to varying degrees, on the basis of technical innovation and performance of its products, as well as quality, product availability and price. As described under the heading "Products and Markets," products in the SRAMs and Other segment can generally be characterized as commodity-type items and tend to be most price sensitive.

IDT's competitive strategy is to differentiate its products through high-performance, innovative configurations, proprietary features and breadth of product offerings. Price competition, introductions of new products by IDT's competitors, delays in product introductions by IDT or other competitive factors could have a material adverse effect on the Company in the future.

While IDT has a majority share in the markets for FIFO and multi-port products, some of the products offered by IDT compete with similar products offered by Cypress Semiconductor Corporation ("Cypress") as well as certain custom memory or logic products. IDT's RISC-based microprocessors compete with products offered by other vendors of such microprocessors, such as Quantum

Effect Devices Inc. and NEC Corporation, and with microprocessors based on other architectures, such as those offered by Intel and Motorola, Inc. ("Motorola"). IDT's competitors for logic sales include both U.S. and foreign manufacturers, such as Texas Instruments Incorporated and Pericom Semiconductor Corporation. Certain of IDT's network products compete with products offered by PMC-Sierra, Inc.

In markets where IDT competes to sell industry standard SRAM components, market supply and pricing strategies of competitors significantly impact the price the Company receives for its products. In fiscal years 1996-1998, a significant increase in market supply of industry standard SRAM parts was attributable to IDT's principally foreign competitors shifting additional production capacity to these parts. The decline in average selling prices for industry standard SRAM parts during this period was, therefore, attributable to increases in available SRAM supply from competitors such as Samsung Electronics, Winbond Electronics Corp., United Microelectronics Corp. (UMC), other Taiwanese and Korean companies as well as U.S.-based companies with Taiwanese and Korean sourced SRAM wafers, and to their market pricing strategies, at a time when market demand slowed as customers reduced the level of inventories carried. The Company's U.S.-based competitors in the SRAM area include Cypress and Micron Technology, Inc. ("Micron").

Intellectual Property and Licensing

IDT recognizes that its intellectual property is a valuable corporate asset, and continues to invest heavily in protecting these assets for advancing the goals of its business. A number of the Company's circuit designs are registered pursuant to the Semiconductor Chip Protection Act of 1984. This Act gives protection similar to copyright protection for the patterns which appear on integrated circuits and prohibits competitors from making photographic copies of such circuits. The Company intends to continue its efforts to increase the breadth of its patent portfolio. There can be no assurance that any patents issued to the Company will not be challenged, invalidated or circumvented, that the rights granted thereunder will provide competitive advantages to the Company or that the Company's efforts generally to protect its intellectual property rights will be successful.

In recent years, there has been a growing trend of companies to resort to litigation to protect their semiconductor technology from unauthorized use by others. In the past, the Company has been involved in patent litigation which adversely affected its operating results. Although the Company has obtained patent licenses from certain semiconductor manufacturers, the Company does not have licenses from a number of semiconductor manufacturers who have a broad portfolio of patents.

IDT has been notified that it may be infringing patents issued to certain parties, and is currently involved in licensing negotiations. There can be no assurance that additional claims alleging infringement of intellectual property rights, including infringement of patents that have been or may be issued in the future, will not be made against the Company in the future or that licenses, to the extent required, will be available. Should licenses from any such claimant be unavailable, or not be available on terms acceptable to the Company, the Company may be required to discontinue its use of certain processes or the manufacture, use and sale of certain of its products, to incur significant litigation costs and damages or to develop non-infringing technology. If IDT is unable to obtain any necessary licenses, pass any increased cost of patent licenses on to its customers or develop non-infringing technology, the Company could be materially adversely affected. In addition, IDT has received patent licenses from several companies that expire over time, and the failure to renew or renegotiate certain of these licenses could have a material adverse effect on the Company.

Environmental Regulation

Federal, State and local provisions regulate the discharge and disposal into the environment of certain materials used in the semiconductor manufacturing process. The Company's manufacturing and assembly and test facilities are designed to comply with existing regulations, and the Company believes that its activities conform to present regulations. The Company believes that it has been conducting its operations with all necessary permits and without material adverse impact attributable to environmental regulation.

However, there can be no assurance that future additions or changes to environmental regulations will not impose upon the Company the requirement for significant capital expenditure. Further, any failure by the Company to control the use of, or to restrict adequately the discharge of hazardous materials under present or future regulations could subject it to substantial liability or could cause its manufacturing operations to be suspended. In addition, IDT could be held financially responsible for remedial measures if its properties were found to be contaminated whether or not the Company was responsible for such contamination.

Employees

At April 2, 2000, IDT and its subsidiaries employed approximately 4,800 people worldwide, of whom 1,400 were in Malaysia and 1,200 were in the Philippines. IDT's success depends in part on its ability to attract and retain qualified personnel, who are generally in great demand. Since its founding, the Company has implemented policies enabling its employees to share in IDT's success such as participation in stock option, stock purchase, profit sharing and bonus plans for key contributors. IDT has never had a work stoppage. No employees are represented by a collective bargaining agreement, and the Company considers its employee relations to be good.

ITEM 2. PROPERTIES

As of April 2, 2000, the Company occupied ten major facilities in California, Oregon, Australia, Malaysia and the Philippines:

Location -----	Facility Use -----	Square Feet -----
Salinas, California.....	Wafer fabrication, SRAM and communication Memory operations	98,000
Santa Clara, California.....	Logic and RISC microprocessor operations	62,000
Santa Clara, California.....	Administration, quality assurance and shipping and receiving	55,900
Santa Clara, California.....	Administration	43,700
Santa Clara, California.....	Communication memory and other operations	50,000
Santa Clara, California.....	Administration	48,300
Sydney, Australia.....	Wafer fabrication and logic design center	41,000
Penang, Malaysia.....	Assembly and test operations	145,000
Hillsboro, Oregon.....	Wafer fabrication and process research	192,000
Canlubang, the Philippines....	Assembly and test operations	176,000

IDT leases its Santa Clara facilities under leases expiring between 2004 and 2010, including renewal options. The Oregon facility is subject to a tax ownership operating lease. Additional information about leased properties is provided in Notes 5 and 6 of the Notes to Consolidated Financial Statements. The Company owns its Malaysian and Philippines facilities, although the Malaysian facilities are subject to long-term ground leases and the Company has an interest in but does not own the Philippines land. The Company leases the facility in Australia as a result of the acquisition of QSI in the first quarter of fiscal 2000. IDT leases offices for its sales force in 18 domestic and 14 international locations. IDT also leases offices for its design centers in Georgia and Texas.

In the first quarter of fiscal 2001, the Company completed the sale of its wafer fabrication assets in Sydney. The Company plans to enter into a lease for a smaller site to house its Australian design center.

ITEM 3. LEGAL PROCEEDINGS

A lawsuit filed by Lemelson Medical Education & Research Foundation, Limited Partnership ("plaintiff") against the Company and twenty-five other corporate defendants was served upon the Company in November 1998. The lawsuit alleged that the defendants' manufacturing equipment infringed upon 16 patents issued to the plaintiff and was filed in the United States District Court for the District of Arizona, case number CIV-98-1413. The plaintiff also made similar allegations against the Company's wholly owned subsidiary, Quality

Semiconductor, Inc., and eighty-seven other corporate defendants in a lawsuit filed in the U.S. District Court for the District of Arizona, case number CIV-99-0377, in February 1999. In November 1999, the Company entered into an agreement with Lemelson that settled all outstanding claims and granted the Company a license to use the Lemelson patents asserted against the Company and its subsidiary. In the third quarter of fiscal 2000, the Company reversed the excess portion of reserves previously provided for this matter.

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

No matters were submitted to a vote of the Company's security holders during the last quarter of the fiscal year ended April 2, 2000.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company, and their respective ages as of May 28, 2000, are as follows:

Name ----	Age ---	Position -----
Jerry Taylor.....	51	President and Chief Executive Officer
David Cote.....	45	Vice President, Marketing and Communications ASSPs
Bill Franciscovich.....	40	Vice President, Sales
Michael Hunter.....	48	Vice President, Manufacturing
Alan F. Krock.....	39	Vice President and Chief Financial Officer
Jimmy J.M. Lee.....	47	Vice President, FIFO, SRAM and Logic
Chuen-Der Lien.....	44	Vice President, Chief Technical Officer
Christopher P. Schott.....	49	Vice President, Specialty Memory Products

Mr. Taylor joined the Company as Vice President, Memory Products in June 1996, and was elected Executive Vice President, Manufacturing and Memory Products, in January 1998. Mr. Taylor became President and was appointed to the Board of Directors in July 1999. He was named Chief Executive Officer in December 1999. Prior to joining the Company, Mr. Taylor held engineering positions at Mostek, Fairchild Semiconductor, Benchmarq Microelectronics, Plano ISD and Lattice Semiconductor. Mr. Taylor was with Benchmarq Microelectronics from 1987 to 1992, with Plano ISD from 1993 to 1995 and with Lattice Semiconductor from April 1995 through June 1996.

Mr. Cote joined IDT in April 1997 as Vice President, Marketing. Mr. Cote was named Vice President, Marketing and Communications ASSPs in March 2000. Prior to joining IDT, he was Vice President of Marketing with Meridian Data from June 1996 through December 1996, and Zeitnet, Inc. from January 1995 through June 1996. Mr. Cote was previously with Synoptics, Inc. from 1991 to 1994, where he achieved the level of Director of Marketing.

Mr. Franciscovich joined IDT in 1986 and has held various management, sales and marketing positions with the Company. He was appointed to his current position in August 1999. His previous positions at IDT included Vice President, SRAM Products, from August 1998 to July 1999; Director of Sales and Marketing, CEM Division, from April 1998 to August 1998; and Director of SRAM Marketing, from April 1996 to April 1998. He served as SRAM Marketing Manager from 1992 to 1996.

Mr. Hunter was promoted to Vice President, Worldwide Manufacturing in February 1998. Previously he was Vice President, California Silicon Manufacturing, and has been with the Company since January 1996. Prior to coming to IDT, Mr. Hunter was Vice President of Fabrication Operations at Chartered Semiconductor from July 1994 through January 1996, and achieved Executive Vice President level at Fujitsu Persona while with that company from 1989 to 1994.

Mr. Krock joined IDT in February 1996 as Corporate Controller and was

appointed a Vice President in July 1997. In January 1998 he was elected Vice President, Chief Financial Officer. Prior to joining IDT, Mr. Krock was Corporate Controller at Rohm Corporation from 1992 to 1996 and held management positions at Price Waterhouse (now PricewaterhouseCoopers LLP) from 1983 to 1992.

Mr. Lee joined IDT in 1984. He was appointed to his current position in August 1999. He previously served as Vice President of the FIFO Products Division from 1996 to 1999, and as Director of FIFO/ECL Products from 1990 to 1996. Mr. Lee held a management position at Intel Corp. from 1979 to 1984.

Dr. Lien joined IDT in 1987 and was appointed Vice President, Technology Development in 1992 and was promoted to Vice President, Chief Technical Officer in April 1996. Prior to joining the Company, he held engineering positions at Digital Equipment Corporation and AMD.

Mr. Schott has been with the Company since 1981 and was promoted to his current position in 1989. His previous positions with the Company include Director of Product Manufacturing at IDT's Salinas facility.

PART II

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

Price Range of Common Stock

The Common Stock of the Company is traded on the Nasdaq National Market under the symbol IDTI. The following table sets forth the high and low last reported sales prices for the Common Stock as reported by the Nasdaq National Market during the fiscal quarters indicated:

	High ----	Low ---
Fiscal 2000		
First Quarter.....	\$10.44	\$ 5.41
Second Quarter.....	24.38	10.88
Third Quarter.....	29.19	15.94
Fourth Quarter.....	43.81	25.63
Fiscal 1999		
First Quarter.....	\$15.00	\$ 6.63
Second Quarter.....	8.19	4.22
Third Quarter.....	7.38	4.50
Fourth Quarter.....	9.63	5.13

As of May 28, 2000, there were approximately 950 record holders of the Common Stock.

The Company has never declared or paid any cash dividends on its Common Stock. The Company intends to retain any future earnings for use in its business and, accordingly, does not anticipate paying any cash dividends on its Common Stock in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The data set forth below are qualified in their entirety by reference to, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and related notes thereto included elsewhere in this Annual Report on Form 10-K.

Statements of Operations Data

In thousands, except per share data	April 2, 2000	March 28, 1999	March 29, 1998	March 30, 1997	March 31, 1996
Revenues	\$ 701,722	\$ 601,017	\$ 649,827	\$581,901	\$725,686
Restructuring, asset impairment and other	(4,726)	204,244	--	45,223	--

Research and development expenses	108,009	143,355	130,730	158,402	139,643
Income (loss) before extraordinary item	130,611	(298,939)	8,457	(43,582)	123,015
Net income (loss)	130,611	(298,939)	8,457	(43,582)	124,936
Basic earnings per share:					
Income (loss) before extraordinary item	1.44	(3.42)	0.10	(0.53)	1.53
Net income (loss)	1.44	(3.42)	0.10	(0.53)	1.56
Diluted earnings per share:					
Income (loss) before extraordinary item	1.32	(3.42)	0.10	(0.53)	1.34
Net income (loss)	1.32	(3.42)	0.10	(0.53)	1.44
Shares used in computing net income (loss) per share:					
Basic	90,918	87,397	84,732	82,252	80,292
Diluted	99,002	87,397	88,871	82,252	91,595

Balance Sheet and Other Data

In thousands, except employee data	April 2, 2000	March 28, 1999	March 29, 1998	March 30, 1997	March 31, 1996
Total assets.....	\$1,162,182	\$ 741,847	\$1,038,787	\$956,105	\$ 982,213
Convertible subordinated notes, net of Issuance costs.....	179,550	184,354	183,756	183,157	182,558
Other long-term obligations.....	92,172	78,022	86,929	65,387	46,054
Stockholders' equity.....	681,151	299,326	590,028	554,583	580,948
Number of employees.....	4,780	4,805	5,185	4,433	3,978

Certain amounts for fiscal 1996-1999 have been restated as a result of a pooling-of-interests merger.

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

The following table sets forth items from the Company's consolidated statements of operations as a percentage of revenues:

	Fiscal Year Ended		
	April 2, 2000	March 28, 1999	March 29, 1998
Revenues	100.0%	100.0%	100.0%
Cost of revenues	52.0	65.3	62.2
Restructuring charges, asset impairment and other	(0.7)	34.0	--
Gross profit	48.7	0.7	37.8
Operating expenses:			
Research and development	15.4	23.9	20.1
Selling, general and administrative	16.8	19.5	15.6
Merger expenses	0.7	0.2	--
Total operating expenses	32.9	43.6	35.7
Operating income (loss)	15.8	(42.9)	2.1
Interest expense	(2.0)	(2.5)	(2.3)
Interest income and other, net	5.8	1.1	2.0
Income (loss) before income taxes	19.6	(44.3)	1.8
Provision for income taxes	1.0	5.4	0.5
Net income (loss)	18.6%	(49.7)%	1.3%

The following discussion should be read in conjunction with IDT's consolidated financial statements and the notes thereto.

All non-historical information contained in this discussion and analysis constitutes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are not guarantees of future performance and involve a number of risks and uncertainties, including but not limited to: operating results; new product introductions and sales; competitive conditions; capital expenditures and capital resources; manufacturing capacity utilization, and the Company's efforts to consolidate and streamline production; customer demand and inventory levels; protection of intellectual property in the semiconductor industry; and the risk factors set forth in the section "Factors Affecting Future Results." Future results may differ materially from such forward-looking statements as a result of such risks. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof.

The following discussion contains forward-looking statements which are based on management's current expectations. These include, in particular, the statements related to revenues and gross profit, R&D and SG&A expenses and activities, interest expense, interest income and other, taxes, capital spending and financing transactions, as well as statements regarding successful development and market acceptance of new products, industry conditions and demand, effects of consolidation of production and capacity utilization.

Overview

IDT made significant progress in improving its results from operations during fiscal 2000.

The improvement in operating results is primarily attributable to increased revenues from target and other markets, reduced manufacturing costs per unit sold associated with more efficient manufacturing operations, reduced operating costs primarily associated with more focused research and development efforts, and overall improved conditions in the semiconductor industry.

Revenues increased primarily because of increased unit sales. IDT is focused on selling semiconductor products to customers primarily in communications infrastructure markets. Customer acceptance of IDT's new communications products as well as increasing demand for existing products in target markets was the primary factor contributing to the increase in product units sold. Products designed primarily for the communications markets and related applications are also, at times, utilized by other markets and applications. For example, products in IDT's logic and SRAM product families have broad use in applications outside IDT's target communications infrastructure markets and demand for IDT products in these other markets also improved during fiscal 2000. In fiscal 2000, IDT completed the merger with Quality Semiconductor, Inc., ("QSI") which contributed additional revenues.

During fiscal 1999, IDT took steps to make its manufacturing operations more efficient. These steps included closing the Company's fabrication facility located in San Jose, Calif., to improve utilization of the remaining fabrication facilities. The Company also began the process of consolidating QSI manufacturing volumes within existing IDT facilities, in a similar effort to increase the utilization of IDT's facilities and reduce the cost per unit produced. IDT has subsequently completed the sale of these surplus manufacturing assets to third parties.

To focus its efforts to efficiently serve target communications markets, in fiscal 2000, IDT completed the sale of certain x86 microprocessor assets, including IDT's x86 product research and development subsidiary, Centaur Technology, Inc. Through the sale of these assets, IDT was able to reduce the level of operating expenditures, especially research and development expenses, while increasing development efforts associated with developing products for IDT's communications infrastructure markets.

Results of Operations

Revenues. Pooling of interests accounting has been used to account for the merger of QSI with IDT. Under pooling of interests accounting, IDT's past

results are restated to include the results of QSI (see Note 2 of Notes to Consolidated Financial Statements).

Revenues for fiscal 2000 were \$701.7 million, an increase of \$100.7 million compared to the \$601.0 million recorded in fiscal 1999. Fiscal 1999 revenues decreased by \$48.8 million compared to the \$649.8 million recorded for fiscal 1998.

The increase in revenues from fiscal 1999 to fiscal 2000 is primarily the result of increased unit sales of IDT's communications and high-performance logic and SRAM and other products, partially offset by a decline in sales of x86 microprocessor products. Increased unit sales of IDT's communications and high-performance logic products is principally attributable to the introduction of new products primarily for data networking and wireless communications infrastructure markets as well as increased demand for existing products from customers in these and other markets. In addition, IDT is benefiting from increased levels of demand for the industry standard products which it manufactures for its SRAM segment. In September 1999, IDT sold certain of its x86 microprocessor-related assets and ceased unit sales of these products in January 2000. The Company expects that unit demand for the products it offers will now be primarily derived from the communications infrastructure markets.

The Company believes revenues and costs associated with existing and new products in the communications and high-performance logic and SRAMs and other segments will increase in future periods as the Company continues to execute new product introduction strategies and assuming that overall levels of industry demand continue to improve. IDT does not expect any future x86 microprocessor unit sales.

The merger of QSI into the Company was completed in fiscal 2000. Revenue, costs and operating margins from QSI products have been included in the Company's results reported for its communications and high-performance logic segment. IDT commenced the process of combining IDT's and QSI's manufacturing operations after the merger was completed in fiscal 2000. In May 2000, IDT completed the sale of surplus manufacturing assets related to the former QSI operations.

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During fiscal 2000, IDT entered into a cross license with Intel Corp. ("Intel") and received as consideration \$20.5 million. Of this amount, \$8.5 million was recognized as revenue in the second quarter of fiscal 2000. The remaining revenue associated with the cross license with Intel is being recognized over seven years, the estimated remaining useful life of the relevant intellectual property.

Gross Profit. Gross profit in fiscal 2000 was \$341.6 million, compared to \$4.0 million and \$245.5 million in fiscal 1999 and 1998, respectively.

On an operating basis (excluding restructuring, asset impairment and other special costs and benefits), gross margin showed sequential quarterly improvement throughout fiscal 2000 and reached 47.6% for the year as a whole, compared to 35.1% in fiscal 1999 and 37.8% in fiscal 1998. The improvement in IDT's gross margin in fiscal 2000 compared to fiscal 1999 was due to higher revenues primarily associated with increased unit sales, and cost savings associated with the consolidation of wafer fabrication production late in fiscal 1999, including the closure of one fabrication facility. Consolidation of production has allowed IDT to improve utilization of its remaining fabrication facilities, resulting in a lower overall cost per unit produced. IDT's gross margin also improved in fiscal 2000 over fiscal 1999 because of a reduction in depreciation expense resulting from lower carrying values of impaired manufacturing assets.

Special items impacting gross profit in fiscal 2000 included \$8.5 million in Intel licensing revenue, which carried little related costs, and \$4.7 million in net positive adjustments and reversals relating to the completion in fiscal 2000 of restructuring activities commenced in fiscal 1999 and finalizing the related accounting.

In fiscal 1999, the Company recorded a \$28.9 million charge to cost of sales which related primarily to excess SRAM manufacturing equipment (\$18.9

million) and certain technology licensing matters (\$10.0 million, of which \$3 million was reversed later in fiscal 1999 upon settlement of certain of these matters). The net carrying value of this equipment before writedown was \$17.4 million, and after writedown was \$2.3 million. The excess SRAM manufacturing equipment charge represented a writedown to estimated fair market value based primarily on appraisals and third-party estimates. The charge was the result of prevailing economic conditions in the SRAM market, which had undergone declines in both demand and price. The charge for manufacturing equipment resulted in annual depreciation expense savings of approximately \$4 million.

Also in fiscal 1999, the Company recorded an R&D expense charge of \$5.5 million relating primarily to discontinuing certain technology development initiatives (see "Research and Development" below).

Additionally, the Company recorded a \$131.9 million asset impairment and other charge in fiscal 1999 which related primarily to an asset impairment reserve recorded against the manufacturing assets of IDT's eight-inch wafer fabrication facility in Hillsboro, Ore. The Company determined that due to excess industry capacity and low prices for semiconductor products manufactured in the Hillsboro facility, future undiscounted cash flows related to its wafer fabrication assets were insufficient to recover the carrying value of the assets. As a result, the Company wrote down these assets to estimated fair market value based primarily on appraisals and estimates from independent parties. Of the \$131.9 million, \$5.0 million was related to certain patent claims against the Company. The Company reversed \$3.0 million in fiscal 2000 upon final settlement of these claims. As a result of asset impairment charges in fiscal 1999, which reduced the carrying value of manufacturing equipment, IDT's annual depreciation expense was reduced by approximately \$25 million.

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The Company incurred restructuring charges of \$46.4 million in fiscal 1999 related primarily to a provision for exit and closure costs associated with the San Jose wafer fabrication facility, which the Company closed in the third quarter of fiscal 1999. The Company completed the sale of this facility in the first quarter of fiscal 2000. During fiscal 2000, the Company recorded a \$1.7 million reserve adjustment, benefiting gross profit, upon the settlement of an intellectual property dispute. As a result of the restructuring actions, the Company realized annual cost savings in depreciation, labor, equipment and other costs of approximately \$45 million, which were partially realized in the fourth quarter of fiscal 1999 and fully realized in fiscal 2000.

Research and Development. For fiscal 2000, research and development ("R&D") expenses decreased by \$35.3 million compared to fiscal 1999. R&D expenses increased by \$12.6 million from fiscal 1998 to fiscal 1999.

R&D expenses decreased in fiscal 2000 for three principal reasons. First, expenses related to developing process technology have been reduced in fiscal 2000 because of the closure of IDT's San Jose wafer fabrication facility, and the consolidation of all process development activities solely at the Hillsboro facility. Second, the allocation of manufacturing costs associated with process R&D has decreased in fiscal 2000 as a result of fewer fabrication facilities and continued improved manufacturing facility utilization at the remaining facilities. With increased utilization of equipment for production activities, allocations of costs to R&D activities have decreased based upon the nature of activities performed. Third, expenses to develop x86 microprocessor products decreased in the second half of fiscal 2000, as the Company completed the sale of its Austin, Texas x86 microprocessor design center during the second quarter of fiscal 2000.

R&D expenses in fiscal 1999 also included \$5.5 million in charges, primarily associated with discontinuing efforts to develop certain new products, including a graphics chip and a specialized logic chip. Cost savings associated with discontinuing these development efforts are approximately \$1 million per quarter.

Management expects that in fiscal 2001, R&D expense will increase in absolute dollars from fiscal 2000's levels. The Company intends to increase its investment in new product and technology development in an effort to increase revenues in its target networking and telecommunications customer markets. As a percentage of revenue, management expects R&D expense to remain relatively

constant, assuming that business conditions and overall industry demand continue to improve.

Current R&D activities include enhancing IDT's families of integrated products such as FIFOs and multi-ported communications products; expanding IDT's offerings of networking and switching products; developing a new family of RISC-based processors which integrate networking functions; broadening IDT's high-performance logic and clock product portfolios; delivering two new families of integrated communications products targeted at improving customers' router system performance and providing gateways for voice traffic over the internet. Additionally, IDT is developing advanced manufacturing process technologies, including 0.15-micron semiconductor fabrication techniques, designed to produce performance advantages and expand the volumes of semiconductor products produced to allow continued growth of IDT's communications products.

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Selling, General and Administrative. Selling, general and administrative ("SG&A") expenses were essentially flat for fiscal 2000 compared to fiscal 1999. As a percentage of revenue, SG&A decreased from 19.5% to 16.8% over this period. The Company expects that in coming quarters, recurring SG&A expenses will increase slightly, principally related to costs such as sales commissions and sales bonuses which vary in relation to sales volumes, and marketing expenses related to new product introductions. Assuming continued strong business conditions and improving overall industry demand, management expects SG&A spending as a percentage of revenues to decline in fiscal 2001.

SG&A in fiscal 1999 included expenses associated with x86 microprocessor marketing and enterprise-wide management information system upgrades. These fiscal 1999 expenses were largely responsible for the \$16.7 million increase in SG&A from fiscal 1998 to fiscal 1999.

Merger Expenses. The Company incurred \$4.8 million in expenses related to the QSI merger in the first quarter of fiscal 2000, including \$4.6 million in severance and employee retention costs.

Interest Expense. Interest expense is primarily associated with the 5.5% Convertible Subordinated Notes, due in 2002, and secured equipment financing agreements which amortize over the term of the financing agreements. Excluding historical amounts related to QSI, annual interest expense was essentially unchanged during the fiscal 1998-2000 period. Substantially all of the Notes were converted into common stock, in the first quarter of fiscal 2001 (see "Subsequent Events," below).

Interest Income and Other, Net. Interest income and other, net, was \$40.6 million in fiscal 2000, compared to \$6.4 million in fiscal 1999. Special items in fiscal 2000 included net gains of \$19.6 million primarily related to the sale of IDT's x86 design subsidiary and x86 processor related intellectual property; a realized net gain of \$11.3 million on the sale of a portion of the Company's equity investment in Quantum Effect Devices, Inc. ("QED"); and a gain of \$4.6 million on the sale of the Company's San Jose fabrication facility. Interest income increased by \$5.8 million in fiscal 2000 as a result of higher cash equivalents and investment balances. Interest income and other, net for fiscal 2000 and 1999 includes losses of \$14.8 million and \$11.1 million, respectively, related to IDT's equity interest in Clear Logic, Inc. The Company does not expect to record additional losses related to this investment in fiscal 2001, as the Clear Logic investment was fully amortized in fiscal 2000.

Taxes. The Company's effective tax rate for fiscal 2000 was 5%. The tax rate in fiscal 2000 was lower than the 35% federal rate primarily due to the use of net operating loss and tax credit carryovers to reduce the Company's actual tax liability.

In view of the cumulative losses incurred during fiscal 1997-1999, and in consideration of current accounting literature and related interpretations, which require that reserves be taken for net deferred tax assets when there is significant doubt as to whether such assets will be realized, IDT recorded a reserve for all of its existing net deferred tax assets in fiscal 1999. The Company realized no federal tax benefit in fiscal 1999 because of its inability to carry back losses.

The effective tax rate for fiscal 1998 of 28% differed from the U.S. statutory rate of 35% primarily due to differences in U.S. and foreign tax rates, changes in valuation allowances for deferred tax assets; and the utilization of certain tax credits.

Historically, income taxes in state jurisdictions have not been significant, due mainly to available tax credits. IDT currently enjoys certain tax benefits in Malaysia and the Philippines, mainly as a result of tax holidays and certain investment incentives. (See Note 10 of Notes to Consolidated Financial Statements.)

The Company currently expects its effective tax rate for fiscal 2001 to be 20%. Should the Company's profits during fiscal 2001 differ significantly from planned levels, the Company's tax rate could change.

Liquidity and Capital Resources

At April 2, 2000, cash and cash equivalents were \$372.6 million, an increase of \$228.0 million from \$144.6 million at March 28, 1999. Additionally the Company had short-term investments, excluding equity securities, of \$49.4 million and \$56.5 million at April 2, 2000 and March 28, 1999, respectively.

The Company also holds equity securities consisting of common stock of QED, which completed an initial public offering in fiscal 2000. The Company sold a portion of its holdings as part of the public offering, recognizing a pretax net gain of \$11.3 million. The remaining 2.8 million shares of QED common stock owned by IDT are recorded on the April 2, 2000, balance sheet at their then-current fair value of approximately \$80 per share, while related unrealized gains are reported as a separate component of accumulated other comprehensive income.

The Company generated \$242.6 million in cash from operating activities during fiscal 2000, up from \$61.0 million for fiscal 1999. Cash from operating activities in fiscal 1999 was relatively low due to the Company's net loss in that year, partially offset by noncash items.

During fiscal 2000, the Company's net cash used for investing activities was \$37.3 million. Capital expenditures were \$84.5 million in fiscal 2000, compared to \$111.9 million in fiscal 1999. In fiscal 2000, the Company received \$44.3 million in proceeds from sales of property, plant and equipment, consisting primarily of the sale of its former San Jose fabrication facility, which was closed during fiscal 1999 in connection with the Company's restructuring efforts, and assets associated with the Company's x86 design subsidiary.

Financing activities provided \$22.7 million during fiscal 2000. Financing activities during the year included the repurchase and retirement of a portion of the 5.5% Convertible Subordinated Notes for \$3.5 million. The notes had a face value of \$4.5 million.

IDT anticipates capital expenditures of approximately \$125 million during fiscal 2001, to be financed primarily through cash generated from operations and existing cash and investments. The Company may also investigate other financing alternatives, depending on whether available terms are favorable to the Company.

The Company believes that existing cash and cash equivalents, cash flow from operations and credit sources available to the Company will be sufficient to meet its working capital, debt repayment and anticipated capital expenditure requirements through fiscal 2001 and 2002. There can be no assurance however, that the Company will not be required to seek additional external financing sooner or that such financing, if required, will be available on terms satisfactory to the Company. If the Company is required to seek such external financing, the unavailability of financing on terms satisfactory to IDT could have a material adverse effect on the Company.

Subsequent Events

Substantially all holders of the Company's convertible notes converted their

notes into common stock in May 2000, increasing the number of shares outstanding by approximately 6.3 million. As a result of the conversion, the Company expects a significant reduction in interest expense in future periods.

Factors Affecting Future Results

IDT's Operating Results can Fluctuate Dramatically.

IDT's operating results can fluctuate dramatically. For example, the Company had net income of \$130.6 million for fiscal 2000 compared to a net loss of \$298.9 million for fiscal 1999 and net income of \$8.5 million for fiscal 1998. Fluctuations in operating results can result from a wide variety of factors, including:

- o timing of new product and process technology announcements and introductions from IDT or its competitors;
- o competitive pricing pressures, particularly in the SRAM market;
- o fluctuations in manufacturing yields;
- o changes in the mix of products sold;
- o availability and costs of raw materials;
- o the cyclical nature of the semiconductor industry and industry-wide wafer processing capacity;
- o economic conditions in various geographic areas; and
- o costs associated with other events, such as underutilization or expansion of production capacity, intellectual property disputes, or other litigation.

In addition, many of these factors also impact the recoverability of the cost of manufacturing, tax and other assets. As business conditions change, future writedowns or abandonment of these assets may occur. Also, the Company ships a substantial portion of its products in the last month of a quarter. If anticipated shipments in any quarter do not occur, IDT's operating results for that quarter could be harmed. Further, IDT may be unable to compete successfully in the future against existing or potential competitors, and IDT's operating results could be harmed by increased competition. IDT's operating results are also impacted by changes in overall economic conditions, both domestically and abroad. IDT derives almost 40% of its revenues from overseas sales. Continued uncertainties in some foreign economies, such as Korea, Japan, and other countries may reduce demand for IDT's products. Should economic conditions deteriorate, domestically or overseas, the Company's sales and business results would be harmed.

The Cyclicity of the Semiconductor Industry Exacerbates the Volatility of IDT's Operating Results.

The semiconductor industry is highly cyclical.

Market conditions characterized by excess supply relative to demand and resultant pricing declines have occurred in the past and may occur in the future. Such pricing declines adversely affect IDT's operating results and force IDT and its competitors to modify their capacity expansion programs. As an example, in prior years a significant increase in manufacturing capacity allocated to industry standard SRAM components caused significant downward trends in pricing, which adversely affected IDT's gross margins and operating results. IDT is unable to accurately estimate the amount of worldwide production capacity dedicated to or planned for the industry-standard products, such as SRAM, that it produces. IDT's operating results can be adversely affected by such factors in the semiconductor industry as: a material increase in industry-wide production capacity; a shift in industry capacity toward products competitive with IDT's products; and reduced demand or other factors that may result in material declines in product pricing and could affect IDT's operating results.

Although IDT is attempting to reduce its dependence on revenue derived from the sale of industry-standard products, and while the Company seeks to carefully manage costs, these efforts may not be sufficient to offset the adverse effect the above or other industry related factors can have on the Company's results.

Demand for IDT's Products Depends on Demand in the Communications, and to a Lesser Extent, Computer Markets.

The majority of the Company's products are incorporated into customers' systems in data networking, wireless telecommunications, and other communications applications. A percentage of the Company's products, including its high-performance logic components, serve in customers' computer, computer-related, and other applications. Customer applications for the Company's products have historically been characterized by rapid technological change and significant fluctuations in demand. Demand for most IDT products, and therefore potential increases in revenue, depends upon growth in the communications market, particularly in the data networking and wireless telecommunications infrastructure markets and, to a lesser extent, the computer markets. Any slowdown in these communications or computer related markets could materially adversely affect IDT's operating results.

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IDT's Product Manufacturing Operations are Complex and Subject to Interruption.

From time to time, IDT has experienced production difficulties, including reduced manufacturing yields or products that do not meet IDT's or its customers' specifications, that have caused delivery delays and quality problems. While production delivery delays have been infrequent and generally short in duration, IDT could experience manufacturing problems and product delivery delays in the future as a result of, among other things, complexity of manufacturing processes, changes to its process technologies, and ramping production and installing new equipment at its facilities.

IDT has wafer fabrication facilities located in Hillsboro, Ore. and Salinas, Calif. As a result of the QSI merger, IDT also acquired manufacturing assets in eastern Australia and other locations. The sale of QSI-related and other surplus manufacturing assets was completed by May 2000. Substantially all of IDT's revenues are derived from products manufactured at facilities which are exposed to the risk of natural disasters, including earthquakes. Approximately 70% of IDT's total revenue is derived from products manufactured at its fabrication facility in Salinas which is located near an active earthquake fault. If IDT were unable to use its facilities, as a result of a natural disaster, or otherwise, IDT's operations would be materially adversely affected until the Company was able to obtain other production capability. IDT does not carry earthquake insurance on its facilities or related to its business operations, as adequate protection is not offered at economically justifiable rates.

Historically, IDT has utilized subcontractors for the majority of its incremental assembly requirements, typically at higher costs than its own Malaysian and Philippines assembly and test operations. IDT expects to continue utilizing subcontractors extensively to supplement its own production volume capacity. Due to production lead times, any failure by IDT to adequately forecast the mix of product demand could adversely affect IDT's sales and operating results.

IDT's Operating Results can be Substantially Impacted by Facility Expansion, Utilization and Consolidation.

Facility and capacity additions have resulted in a significant increase in fixed and variable operating expenses that in the past have not been fully offset when revenues declined. IDT records as R&D expense the operating costs associated with bringing a new fabrication facility to commercial production status in the period such expenses are incurred. However, as commercial production at a new fabrication facility commences, the operating costs are classified as cost of revenues, and IDT begins to recognize depreciation expense relating to the facility. Accordingly, if revenue levels are not maintained or if IDT is unable to achieve gross margins from products produced at the Hillsboro facility that are comparable to IDT's other products, IDT's future results of operations could be adversely impacted.

IDT's Results are Dependent on the Success of New Products.

New products and process technology costs associated with the Hillsboro wafer fabrication facility will continue to require significant R&D expenditures.

However, the Company may not be able to develop and introduce new products in a timely manner, its new products may not gain market acceptance, and it may not be successful in implementing new process technologies. If IDT is unable to develop new products in a timely manner, and to sell them at gross margins comparable to or better than IDT's current products, its future results of operations could be adversely impacted.

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IDT is Dependent on a Limited Number of Suppliers.

IDT's manufacturing operations depend upon obtaining adequate raw materials on a timely basis. The number of vendors of certain raw materials, such as silicon wafers, ultra-pure metals and certain chemicals and gases, is very limited. In addition, certain packages used by IDT require long lead times and are available from only a few suppliers. From time to time, vendors have extended lead times or limited supply to IDT due to capacity constraints. IDT's results of operations would be adversely affected if it were unable to obtain adequate supplies of raw materials in a timely manner or if there were significant increases in the costs of raw materials.

From time to time, IDT contracts with third party semiconductor designers.

IDT May Require Additional Capital on Satisfactory Terms to Remain Competitive.

The semiconductor industry is extremely capital intensive. To remain competitive, IDT continues to invest in advanced manufacturing and test equipment. IDT could be required to seek financing to satisfy its cash and capital needs, and such financing might not be available on terms satisfactory to IDT. If such financing is required and if such financing is not available on terms satisfactory to IDT, its operations could be adversely affected.

Intellectual Property Claims Could Adversely Affect IDT's Business and Operations.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights, which have resulted in significant and often protracted and expensive litigation. In recent years, there has been a growing trend by companies to resort to litigation to protect their semiconductor technology from unauthorized use by others. IDT has been involved in patent litigation in the past, which adversely affected its operating results. Although IDT has obtained patent licenses from certain semiconductor manufacturers, IDT does not have licenses from a number of semiconductor manufacturers that have a broad portfolio of patents. IDT has been notified that it may be infringing on patents issued to certain semiconductor manufacturers and other parties and is currently involved in license negotiations. Because the patents others are asserting primarily involve manufacturing processes, revenues from substantially all of IDT's products could be subject to the alleged infringement claims. Additional claims alleging infringement of intellectual property rights could be asserted in the future. The intellectual property claims that have been made or that may be asserted against IDT could require that IDT discontinue the use of certain processes or cease the manufacture, use and sale of infringing products, to incur significant litigation costs and damages and to develop non-infringing technology. The Company might not be able to obtain such licenses on acceptable terms or to develop non-infringing technology. Further, the failure to renew or renegotiate existing licenses on favorable terms, or the inability to obtain a key license, could adversely affect IDT.

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International Operations Add Increased Volatility to IDT's Operating Results.

A substantial percentage of IDT's revenues are derived from non-U.S. sales. During fiscal 2000, fiscal 1999 and fiscal 1998, non-U.S. sales accounted for 38%, 37% and 39% of IDT's revenues, respectively. During these periods, Asia

Pacific sales, which exclude Japan, accounted for 10%, 10% and 12% of IDT's revenues, respectively. Sales in Japan accounted for 11%, 8% and 9% of total revenues, respectively, during these periods.

In addition, IDT's offshore assembly and test operations incur payroll, facilities and other expenses in local currencies. Accordingly, movements in foreign currency exchange rates, can impact IDT's cost of goods sold, as well as both pricing and demand for its products. IDT's offshore operations and export sales are also subject to risks associated with foreign operations, including:

- o political instability;
- o currency controls and fluctuations;
- o changes in local economic conditions and import and export controls; and
- o changes in tax laws, tariffs and freight rates.

Contract pricing for raw materials used in the fabrication and assembly processes, as well as for subcontract assembly services, can also be impacted by currency exchange rate fluctuations. The Company also purchases certain semiconductor manufacturing tools, such as photo-lithography equipment, from overseas vendors. Such tools are typically quoted at a foreign-currency price, often equivalent to several million U.S. dollars per unit. Currency exchange rate fluctuations can have a substantial impact on the net U.S.-dollar cost of these tools to IDT.

IDT is Subject to Risks Associated with Using Hazardous Materials in its Manufacturing.

IDT is subject to a variety of environmental and other regulations related to hazardous materials used in its manufacturing process. Any failure by IDT to control the use of, or to restrict adequately the discharge of, hazardous materials under present or future regulations could subject it to substantial liability or could cause its manufacturing operations to be suspended.

IDT's Common Stock is Subject to Price Volatility.

IDT's common stock has experienced substantial price volatility. Such volatility may occur in the future, particularly as a result of quarter-to-quarter variations in the actual or anticipated financial results of IDT, the companies in the semiconductor industry, or those in the markets served by IDT. Announcements by IDT or its competitors regarding new product introductions may also lead to volatility. In addition, IDT's stock price can fluctuate due to price and volume fluctuations in the stock market, especially those that have affected technology stocks. IDT's product portfolio includes a mix of proprietary or limited-source products, and industry-standard or multiple-source products, IDT's products also employ a variety of semiconductor design technologies. Stock price volatility may also result from changes in perceptions about the various types of products IDT manufactures and sells.

IDT is Exposed to Fluctuations in the Market Price of its Investment in QED.

The Company's investment portfolio includes common stock holdings in QED, as described above. The common stock of QED is highly volatile. At the same time, the Company is precluded from selling or hedging the value of any of its current holdings until July 2000, due to underwriting-agreement restrictions. As a result of these factors, the amount of income and cash flow that IDT ultimately realizes from this investment in future periods may vary materially from the current unrealized amount.

Quantitative and Qualitative Disclosures About Market Risk.

Most of the Company's outstanding debt, including the 5.5% Convertible Subordinated Notes, is at fixed rates. The Tax Ownership Operating Lease related to IDT's manufacturing facilities in Hillsboro has variable, London Interbank Offered Rate (LIBOR)-based payments. However, this synthetic lease is collateralized with investments that have similar, and thus offsetting, interest rate characteristics. The Company's investment portfolio typically consists of

short-term securities that have managed maturity schedules. As a result of these factors, a hypothetical 10% move in interest rates would have an insignificant effect on IDT's financial position, results of operations and cash flows. The Company does not use derivative financial instruments in its investment portfolio.

The Company is exposed to foreign currency exchange rate risk as a result of international sales, assets and liabilities of foreign subsidiaries, and capital purchases denominated in foreign currencies. The Company uses derivative financial instruments (primarily forward contracts) to help manage its foreign currency exchange exposures. The Company does not enter in derivatives for trading purposes. The Company performed a sensitivity analysis for both fiscal 1999 and 2000 and determined that a 10% change in the value of the U.S. dollar would have an insignificant near-term impact on IDT's financial position, results of operations and cash flows.

Impact of Year 2000 on IDT's Operations.

The Company has completed the transition from calendar year 1999 to 2000 and conducted internal tests for year 2000 issues. No significant impact to the Company's operations or its business and manufacturing systems has been detected. The Company will continue to monitor its systems, facilities and products over the next few months to ensure that latent defects do not manifest themselves. Such follow-up will be encompassed into the normal monitoring of Company systems and operations.

Amounts paid to manufacturing equipment vendors to obtain software upgrades to remediate Year 2000 issues totaled approximately \$400,000. IDT also paid Keane, Inc., a software services firm, approximately \$165,000 in consulting fees. Residual year 2000 and monitoring costs after April 2, 2000 are not expected to be significant.

Requirements Associated with the Introduction of the Euro.

IDT is continuing to monitor and evaluate the impact of the introduction of the Single European Currency (Euro). During the transition period ending December 31, 2001, public and private parties may pay for goods and services using either the Euro common currency or the legacy currency of the participating country. Beginning January 1, 2002, Euro denominated bills and coins will be issued, with the legacy currencies being completely withdrawn from circulation on June 30, 2002.

IDT is in the process of evaluating the impact of the Euro's introduction on the Company's pricing policies, foreign currency hedging tactics, and administrative systems and costs. Based on its ongoing evaluation, IDT does not currently expect the cost of any system modifications to be material and does not expect that the Euro will have a material adverse impact on IDT's business activities, financial condition or overall trends in results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required for this item is provided under the caption "Quantitative and Qualitative Disclosures about Market Risk" in Item 7 of this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY

Index to Consolidated Financial Statements Covered by Report of Independent Accountants

Consolidated Financial Statements included in Item 8:

Report of Independent Accountants

Consolidated Balance Sheets at April 2, 2000 and March 28, 1999

Consolidated Statements of Operations for each of the three fiscal years in the period ended April 2, 2000

Consolidated Statements of Cash Flows for each of the three fiscal years in the period ended April 2, 2000

Consolidated Statements of Stockholders' Equity for each of the three fiscal years in the period ended April 2, 2000

Notes to Consolidated Financial Statements

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of
Integrated Device Technology, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows, and of stockholders' equity present fairly, in all material respects, the financial position of Integrated Device Technology, Inc. and its subsidiaries at April 2, 2000 and March 28, 1999, and the results of their operations and their cash flows for each of the three years in the period ended April 2, 2000, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
San Jose, California
April 21, 2000, except for
Note 15, which is as of May 15, 2000.

Consolidated Balance Sheets

(In thousands, except share amounts)	April 2, 2000	March 28, 1999
Assets		
Current assets:		
Cash and cash equivalents	\$ 372,606	\$144,598
Short-term investments-- equity securities	223,906	-
Other short-term investments	49,439	56,516
Accounts receivable, net of allowance for returns and doubtful accounts of \$6,045 and \$5,302	90,957	62,175
Inventories, net	72,279	60,787
Prepayments and other current assets	40,630	59,381
Total current assets	849,817	383,457
Property, plant and equipment, net	260,107	299,235
Other assets	52,258	59,155
Total assets	\$1,162,182	\$741,847
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$37,294	\$37,076
Accrued compensation and related expenses	28,530	16,736
Deferred income on shipments to distributors	74,585	45,035
Other accrued liabilities	35,160	49,639
Current portion of long-term obligations	11,317	13,461
Total current liabilities	186,886	161,947
Convertible subordinated notes, net of issuance costs	179,550	184,354
Long-term obligations	92,172	78,022
Deferred tax liabilities	22,423	18,198

Commitments and contingencies (Notes 6 and 7)

Stockholders' equity:

Preferred stock; \$.001 par value: 10,000,000 shares authorized; no shares issued	-	-
Common stock; \$.001 par value: 200,000,000 shares authorized; 95,667,128 and 87,994,095 shares issued and outstanding	96	88
Additional paid-in capital	421,785	372,900
Treasury stock (none and 311,086 shares)	-	(1,638)
Retained earnings (accumulated deficit)	39,648	(68,315)
Accumulated other comprehensive income (loss)	219,622	(3,709)
Total stockholders' equity	681,151	299,326
Total liabilities and stockholders' equity	\$1,162,182	\$741,847

<FN>

The accompanying notes are an integral part of these consolidated financial statements.

</FN>

Consolidated Statements of Operations

(In thousands, except per share data)	Fiscal Year Ended		
	April 2, 2000	March 28, 1999	March 29, 1998
Revenues	\$701,722	\$ 601,017	\$649,827
Cost of revenues	364,832	392,748	404,364
Restructuring charges, asset impairment and other	(4,726)	204,244	-
Gross profit	341,616	4,025	245,463
Operating expenses:			
Research and development	108,009	143,355	130,730
Selling, general and administrative	117,942	117,805	101,145
Merger expenses	4,840	974	-
Total operating expenses	230,791	262,134	231,875
Operating income (loss)	110,825	(258,109)	13,588
Interest expense	(13,967)	(14,787)	(15,210)
Interest income and other, net	40,628	6,413	13,398
Income (loss) before income taxes	137,486	(266,483)	11,776
Provision for income taxes	6,875	32,456	3,319
Net income (loss)	\$130,611	\$ (298,939)	\$ 8,457
Basic net income (loss) per share:	\$ 1.44	\$ (3.42)	\$ 0.10
Diluted net income (loss) per share:	\$ 1.32	\$ (3.42)	\$ 0.10
Weighted average shares:			
Basic	90,918	87,397	84,732
Diluted	99,002	87,397	88,871

<FN>

The accompanying notes are an integral part of these consolidated financial statements.

</FN>

Consolidated Statements of Cash Flows

(In thousands)	Fiscal Year Ended		
	April 2, 2000	March 28, 1999	March 29, 1998
Operating activities			
Net income (loss)	\$130,611	\$ (298,939)	\$ 8,457
Adjustments:			
Depreciation and amortization	89,045	113,596	119,508
Restructuring, asset impairment and other	-	179,428	-
Gain on sale of property, plant and equipment	(12,042)	-	-
Deferred tax assets	-	31,578	4,220
Changes in assets and liabilities:			
Accounts receivable, net	(29,585)	18,042	5,266
Inventories, net	(14,631)	17,091	(16,824)
Income tax refund receivable	-	7,309	26,746
Other assets	14,855	11,993	7,724
Accounts payable	942	(26,035)	14,912
Accrued compensation and related expenses	12,034	(860)	954
Deferred income on shipments to distributors	29,550	(13,603)	13,139
Deferred licensing revenue	32,033	-	-
Other accrued liabilities	(10,199)	21,364	11,561
Net cash provided by operating activities	242,613	60,964	195,663

Investing activities			
QSI net cash used from 10/1/98 to 3/31/99	(1,146)	-	-
Purchases of property, plant and equipment	(84,489)	(111,867)	(167,546)
Proceeds from sale of property, plant and equipment	44,334	3,137	367
Purchases of short-term investments	(166,969)	(109,546)	(51,661)
Proceeds from sales of short-term investments	170,976	131,465	12,187
Purchases of equity investments	-	(5,867)	(9,224)
Net cash used for investing activities	(37,294)	(92,678)	(215,877)
Financing activities			
Proceeds from issuance of common stock, net	44,233	9,038	23,101
Repurchase of common stock, net	-	(4,787)	(229)
Proceeds from secured equipment financing	-	31,764	2,850
Payments on capital leases and other debt	(21,544)	(15,220)	(10,070)
Net cash provided by financing activities	22,689	20,795	15,652
Net increase (decrease) in cash and cash equivalents	228,008	(10,919)	(4,562)
Cash and cash equivalents at beginning of period	144,598	155,517	160,079
Cash and cash equivalents at end of period	\$372,606	\$ 144,598	\$155,517
Supplemental disclosure of cash flow information			
Cash paid for:			
Interest	\$ 13,455	\$ 13,939	\$ 13,839
Income taxes, net of refunds	3,798	(12,093)	(30,350)
Non-cash activities:			
Conversion of accrued liability to equity	-	6,293	3,000
Capital lease obligations	-	6,497	6,603

<FN>
The accompanying notes are an integral part of these consolidated financial statements.
</FN>

Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount					
Balance, March 30, 1997	83,460,220	\$83	\$332,770	\$ -	\$222,885	\$ (1,155)	\$554,583
Issuance of common stock	2,990,367	3	25,763	-	-	-	25,766
Tax benefit from stock option transactions	-	-	1,420	-	-	-	1,420
Other comprehensive loss:							
Translation adjustment	-	-	-	-	-	(711)	(711)
Unrealized gain on securities, net	-	-	-	-	-	513	513
Net income	-	-	-	-	8,457	-	8,457
Comprehensive income					231,342	(198)	231,144
Balance, March 29, 1998	86,450,587	86	359,953	-	231,342	(1,353)	590,028
Repurchase of common stock	(856,000)	(1)	-	(4,630)	-	-	(4,631)
Issuance of common stock	1,827,777	2	6,655	2,992	(718)	-	8,931
Issuance of common stock to extinguish accrued liability	571,731	1	6,292	-	-	-	6,293
Other comprehensive income:							
Translation adjustment	-	-	-	-	-	(2,304)	(2,304)
Unrealized loss on securities, net	-	-	-	-	-	(52)	(52)
Net loss	-	-	-	-	(298,939)	-	(298,939)
Comprehensive loss					(68,315)	(2,356)	(70,671)
Balance, March 28, 1999	87,994,095	88	372,900	(1,638)	(68,315)	(3,709)	299,326
Issuance of common stock	7,673,033	8	43,756	1,638	(83)	-	45,319
QSI loss, 10/1/1998 to 3/31/1999	-	-	-	-	(22,565)	-	(22,565)
Tax benefit from stock option transactions	-	-	5,129	-	-	-	5,129
Other comprehensive income:							
Translation adjustment	-	-	-	-	-	595	595
Unrealized gain on securities, net	-	-	-	-	-	222,736	222,736
Net income	-	-	-	-	130,611	-	130,611
Comprehensive income					39,648	223,331	262,979
Balance, April 2, 2000	95,667,128	\$96	\$421,785	\$ -	\$ 39,648	\$219,622	\$681,151

<FN>
The accompanying notes are an integral part of these consolidated financial statements.
</FN>

Summary of Significant Accounting Policies

Nature of Business. Integrated Device Technology, Inc. ("IDT" or the "Company") designs, develops, manufactures and markets a broad range of high-performance semiconductor products, primarily for communications markets. IDT's products include communications memories, communications application-specific standard products (ASSPs), RISC microprocessors, high-speed SRAMs, and high-performance logic and clock management products.

Fiscal Year. The Company's fiscal year ends on the Sunday nearest March 31. Fiscal 2000, a 53-week year, ended on April 2, 2000. Fiscal 1999 and 1998 each included 52 weeks and ended on March 28, 1999 and March 29, 1998, respectively.

Basis of Presentation. The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

In May 1999, IDT consummated the acquisition of Quality Semiconductor, Inc. ("QSI") in a transaction accounted for as a pooling of interests. The financial statements have been retroactively restated to reflect the combined operations of IDT and QSI as if the combination had occurred at the beginning of the earliest period presented (see Note 2). There were no significant differences between the accounting policies of IDT and QSI.

Certain reclassifications have been made to prior-year balances, none of which affected the Company's financial position or results of operations, to present the financial statements on a consistent basis.

Cash Equivalents and Short-term Investments. Cash equivalents are highly liquid investments with original maturities of three months or less at the time of acquisition or with guaranteed on-demand buy-back provisions. Short-term investments, other than equity securities, are valued at amortized cost, which approximates fair market value.

The Company's short-term investments are classified as available-for-sale at April 2, 2000 and March 28, 1999. Investment securities classified as available-for-sale are reported at market value, and net unrealized gains or losses are recorded in accumulated comprehensive income, a separate component of stockholders' equity, until realized. Realized gains and losses are computed based upon specific identification and are included in interest income and other, net. Management determines the appropriate classification of debt and equity securities at the time of purchase and reassesses the classification at each reporting date.

As of April 2, 2000, cash equivalents included \$11.7 million in certificates of deposit which were collateralizing certain customs bond obligations and a mortgage transaction.

Inventories. Inventories are stated at the lower of standard cost (which approximates actual cost on a first-in, first-out basis) or market.

Property, Plant, and Equipment. Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method over estimated useful lives of the assets, which generally range from three to five years. Leasehold improvements and leasehold interests are amortized over the shorter of the estimated useful lives of the assets or the remaining term of the lease. Accelerated methods of depreciation are used for tax purposes.

The Company reviews the carrying values of long-lived assets whenever events and circumstances indicate that the net book value of an asset may not be recovered through expected future cash flows from its use and eventual disposition. The amount of impairment loss, if any, is measured as the difference between the net book value and the estimated fair value of the asset.

Revenue Recognition. Revenues from product sales are generally recognized upon shipment, and a reserve is provided for estimated returns and discounts. A

portion of the Company's sales are made to distributors under agreements that allow certain rights of return and price protection on products unsold by the distributors. Related revenues and costs of revenues thereon are deferred until the products are resold by the distributors. Revenues related to licensing agreements are recognized ratably over the lives of the related patents (see Note 14).

Income Taxes. The Company accounts for income taxes under an asset and liability approach which requires the expected future tax consequences of temporary differences between book and tax bases of assets

Notes to Consolidated Financial Statements

and liabilities be recognized as deferred tax assets and liabilities. No provision for U.S. income taxes is provided on unremitted earnings of foreign subsidiaries, to the extent such earnings are deemed to be permanently reinvested.

Net Income (Loss) Per Share. Basic and diluted net income (loss) per share are computed using weighted-average common shares outstanding. Dilutive net income per share also includes the effect of stock options and convertible debt. The following table sets forth the computation of basic and diluted net income (loss) per share:

(In thousands except per share amounts)	Fiscal Year Ended		
	April 2, 2000	March 28, 1999	March 29, 1998
Basic:			
Net income (loss) (numerator)	\$130,611	\$(298,939)	\$ 8,457
Weighted average shares outstanding (denominator)	90,918	87,397	84,732
Net income (loss) per share	\$ 1.44	\$ (3.42)	\$ 0.10
Diluted:			
Net income (loss) (numerator)	\$130,611	\$(298,939)	\$8,457
Weighted average shares outstanding	90,918	87,397	84,732
Net effect of dilutive stock options	8,084	-	4,139
Total shares (denominator)	99,002	87,397	88,871
Net income (loss) per share	\$ 1.32	\$ (3.42)	\$ 0.10

Total stock options outstanding, including antidilutive options, were 14.7 million, 19.4 million and 18.0 million, at fiscal year-ends 2000, 1999 and 1998, respectively. The Company's convertible debt was not dilutive in any of the periods presented.

Comprehensive Income (Loss). Comprehensive income (loss) is defined as the change in equity during a period from non-owner sources.

The components of accumulated other comprehensive income (loss) were as follows:

April 2, March 28,

(in thousands)	2000	1999
Cumulative translation adjustments	\$ (3,062)	\$ (3,657)
Unrealized gain (loss) on investments	222,684	(52)
	-----	-----
	\$219,622	\$ (3,709)
	=====	=====

Cumulative translation adjustments are not tax affected.

Translation of Foreign Currencies. For subsidiaries whose functional currency is the local currency, gains and losses resulting from translation of these foreign currency financial statements into U.S. dollars are recorded as a separate component of comprehensive income (loss). For subsidiaries where the functional currency is the U.S. dollar, gains and losses resulting from the process of remeasuring foreign currency financial statements into U.S. dollars are included in other income. The effects of foreign currency exchange rate fluctuations have not been material.

Fair Value Disclosures of Financial Instruments. Fair values of cash, cash equivalents and short-term investments other than equity securities approximate cost due to the short period of time until maturity. Fair values of long-term investments, long-term debt and currency forward contracts are based on quoted market prices or pricing models using current market rates.

Concentration of Credit Risk. The Company sells integrated circuits to original equipment manufacturers (OEMs), distributors and contract electronics manufacturers (CEMs) primarily in the United States, Europe and the Far East. The Company performs on-going credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary and generally does not require collateral. Management believes that risk of loss is significantly reduced due to the diversity of its products, customers and geographic sales areas. The Company maintains a provision for potential credit losses. Write-offs of accounts receivable were insignificant in each of the three years ended April 2, 2000.

One distributor's receivable balance represented 10% and 14% of total accounts receivable at April 2, 2000 and March 28, 1999, respectively. One CEM's receivable balance represented 10% and 8% of total accounts receivable at April 2, 2000 and March 28, 1999, respectively. If the financial condition or operating results of these customers were to deteriorate below critical levels, the Company's operating results could be adversely affected.

Notes to Consolidated Financial Statements

Stock-based Compensation Plans. The Company accounts for its stock option plans and employee stock purchase plan in accordance with provisions of the Accounting Principles Board's (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," the Company provides additional pro forma disclosures in Note 8.

New Accounting Pronouncements. In 1999, the Financial Accounting Standards Board (FASB) issued SFAS No. 137, "Deferral of the Effective Date of SFAS No. 133" which defers the effective date of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Company plans to adopt SFAS No. 133 as of the beginning of fiscal 2002. SFAS No. 133 requires that all derivatives be recognized in the balance sheet as assets or liabilities and measured at fair value. SFAS No. 133 also requires current recognition in earnings of changes in these fair values, depending on the intended use and designation of the derivative. The Company is evaluating the impact of SFAS No. 133 but currently does not expect any material effects on its financial position or results of operations.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements." SAB 101 summarizes certain of the SEC's views in applying generally accepted accounting principles (GAAP) to revenue recognition in financial statements. The Company is required to adopt SAB 101 in the first quarter of fiscal 2001 and is currently studying the impact of SAB 101. The Company currently does not expect any material effects on its financial position of results of operations.

Products and Markets. The Company operates in three segments (See Note 11) within the semiconductor industry. Significant technological changes in the industry could adversely affect operating results. The semiconductor industry is highly cyclical and has been subject to significant downturns at various times that have been characterized by diminished product demand, production overcapacity and accelerated erosion of average selling prices. Therefore, the average selling price the Company receives for industry-standard products is dependent upon industry-wide demand and capacity, and such prices have historically been subject to rapid change. While the Company considers industry technological change and industry-wide demand and capacity in estimating necessary allowances, such estimates could change in the future.

Note 2

Business Combination

In May 1999, IDT completed the acquisition of QSI, which had been engaged in the design, development and marketing of high-performance logic and networking semiconductor products.

To consummate the merger, IDT issued approximately 5.2 million shares of its common stock in exchange for all of the outstanding common stock of QSI and granted options to purchase approximately 1.0 million shares of IDT common stock in exchange for all of the outstanding options to purchase QSI stock. The merger was accounted for as a pooling of interests, and the financial statements give effect to the merger for all periods presented.

Because the fiscal year ends of the two companies differed, the statements of operations data for QSI have been recast as shown below:

IDT	QSI
-----	-----
Fiscal year ended March 28, 1999	Fiscal year ended September 30, 1998
Fiscal year ended March 29, 1998	Fiscal year ended September 30, 1997
Fiscal year ended March 30, 1997	Fiscal year ended September 30, 1996

QSI's net loss of \$22.6 million for the period October 1, 1998 through March 31, 1999 was recorded as a decrease to stockholders' equity for the year ended April 2, 2000.

IDT incurred \$5.8 million in merger-related costs, including \$1.0 million in fiscal 1999 and \$4.8 million in fiscal 2000. Of this amount, \$4.6 million related to payments for severance, retention and change-of-control agreements. The remainder consisted primarily of accounting and legal fees and printing costs.

Notes to Consolidated Financial Statements

The results of operations previously reported by the separate companies and the combined amounts shown in the accompanying financial statements are presented below.

(In thousands)	Fiscal Year Ended	
	March 28, 1999	March 29, 1998
Revenues:		
IDT	\$ 540,199	\$587,136
QSI	60,818	62,691
-----	-----	-----
Combined	\$ 601,017	\$649,827
	=====	=====
Net income (loss):		

IDT	\$ (283,605)	\$ 8,247
QSI	(15,334)	210
Combined	\$ (298,939)	\$ 8,457
	=====	=====

Note 3

Balance Sheet Components

Inventories, Net.

(in thousands)	April 2, 2000	March 28, 1999
Raw materials	\$ 6,102	\$ 5,986
Work-in-process	43,632	36,995
Finished goods	22,545	17,806
	-----	-----
	\$72,279	\$60,787
	=====	=====

Property, Plant and Equipment.

(in thousands)	April 2, 2000	March 28, 1999
Land	\$ 8,503	\$ 20,003
Machinery and equipment	848,566	848,421
Building and leasehold improvements	83,256	78,580
Construction-in-progress	567	841
	-----	-----
	940,892	947,845
Less accumulated depreciation and amortization	(680,785)	(648,610)
	-----	-----
	\$ 260,107	\$ 299,235
	=====	=====

Short-term Investments.

(in thousands)	April 2, 2000	March 28, 1999
U.S. government agency securities	\$ 12,427	\$ 11,103
State and local government securities	76,000	40,774
Corporate securities	277,991	112,036
Equity securities	223,906	-
Other	43,069	31,733
	-----	-----
Total debt and equity securities	633,393	195,646
Less cash equivalents	(360,048)	(139,130)
	-----	-----
Short-term investments	\$ 273,345	\$ 56,516
	=====	=====

At April 2, 2000, short-term investments of \$230.3 million mature in less than one year and \$43.0 million have maturities between one and five years.

Note 4

Restructuring Charges, Asset Impairment and Other

During fiscal 1999, the Company recorded \$207.2 million of charges in cost of sales relating primarily to asset impairment, restructuring associated with closure of a manufacturing facility and costs associated with certain technology licensing matters. The Company reversed \$3 million of the costs associated with technology licensing matters upon settlement of certain of those matters in late fiscal 1999. In the third quarter of fiscal 2000, the Company reversed an

additional \$3.8 million in charges, due to the settlement of certain technology licensing and other matters.

Included in the fiscal 1999 charges were \$28.9 million in asset impairment and other charges. These charges consisted primarily of \$15.1 million for excess SRAM manufacturing equipment and \$10 million in costs associated with technology licensing matters. The excess SRAM manufacturing equipment charge represented a writedown to estimated fair market value based primarily on appraisals and estimates obtained from third parties. The charge resulted from prevailing economic conditions in the SRAM market, which had experienced declines in both demand and price.

Separately in fiscal 1999, the Company also recorded \$5.5 million in research and development expenses and \$0.2 million in selling, general and administrative expenses for costs associated with discontinuance of certain development efforts, including a graphics chip and a specialized logic chip. These charges were comprised primarily of severance costs and technology license payments associated with the discontinued efforts.

During fiscal 1999, the Company also incurred restructuring charges which aggregated \$46.4 million and related primarily to a provision for exit and closure costs associated with the San Jose wafer fabrication facility, which the Company closed in the third quarter of fiscal 1999. The Company completed the sale of the San Jose facility in the first quarter of fiscal 2000.

Notes to Consolidated Financial Statements

The following tables set forth the Company's expenses and reserve utilization for fiscal 2000 and fiscal 1999 and the reserve balance as of April 2, 2000:

(in thousands)	Balance March 28, 1999	Utilized	Adjustments	Balance April 2, 2000
Write-down of fixed assets	\$ -	\$ -	\$ -	\$ -
Severance and other employee related charges	\$ 300	(212)	(88)	-
Closure costs for manufacturing facility	5,232	(3,096)	(2,136)	-
	<u>\$5,532</u>	<u>\$(3,308)</u>	<u>\$(2,224)</u>	<u>\$ -</u>

(in thousands)	Fiscal 1999 Expense	Utilized	Adjustments	Balance March 28, 1999
Write-down of fixed assets	\$33,047	\$(33,047)	\$ -	\$ -
Severance and other employee related charges	2,620	(2,171)	(149)	300
Closure costs for manufacturing facility	10,717	(5,267)	(218)	5,232
	<u>\$46,384</u>	<u>\$(40,485)</u>	<u>\$ (367)</u>	<u>\$5,532</u>

The Company has completed its exit plan for the San Jose facility. Adjustments include a \$0.8 million reversal related to the settlement of a dispute and the release of \$0.9 million in excess reserves, both of which are included in pretax income for fiscal 2000. The Company also reclassified a portion of the closure-costs reserve to cover long-term environmental indemnification for the San Jose plant.

Also in fiscal 1999, the Company recorded a \$131.9 million asset impairment and other charge which related primarily to an asset impairment reserve recorded against the manufacturing assets of IDT's eight-inch wafer fabrication facility in Hillsboro, Ore. The Company determined that due to excess industry capacity and low prices for semiconductor products manufactured in the Hillsboro facility, future undiscounted cash flows related to its wafer fabrication assets were insufficient to recover the carrying value of the assets. As a result, the Company wrote down these assets to estimated fair market value based primarily on appraisals and estimates from independent parties. Of the \$131.9 million, \$5.0 million was to settle certain patent claims against the Company.

Note 5

Debt

The Company had no short-term borrowings, other than the current portion of long-term debt, during the two fiscal years ended April 2, 2000. Information regarding the Company's obligations under long-term debt and capital leases and equipment financing arrangements is presented below:

(in thousands)	April 2, 2000	March 28, 1999
Mortgage payable bearing interest at 9.625% due in monthly installments of \$142 including interest through April 1, 2005, secured by related property and improvements	\$ 6,831	\$ 7,826
Capital leases and equipment financing arrangements at rates ranging from 2.125% to 9.38%, with maturities through August 2005	35,168	52,751
5.5% Convertible Subordinated Notes due 2002	179,550	184,354
	-----	-----
	221,549	244,931
Less current portion	(11,317)	(13,461)
	-----	-----
	\$210,232	\$231,470
	=====	=====

Future minimum payments under these obligations are summarized as follows:

(in thousands)	Long-term debt	Capital leases and equipment financing agreements
Fiscal Year 2001	\$ 11,648	\$11,674
2002	11,648	9,299
2003	184,170	6,664
2004	1,704	5,111
2005 and thereafter	1,845	5,694
	-----	-----
Total	211,015	38,442
Less amount representing interest	(24,634)	(3,274)
	-----	-----
Total	\$186,381	\$35,168
	=====	=====

Notes to Consolidated Financial Statements

Obligations under capital leases and equipment financing arrangements are collateralized by the related assets. The Company leased total assets of

approximately \$56.3 million and \$60.8 million at April 2, 2000 and March 28, 1999, respectively. Accumulated depreciation and amortization on these assets was approximately \$44.3 million and \$37.6 million at April 2, 2000 and March 28, 1999, respectively.

In May 1995, the Company issued \$201.3 million of 5.5% Convertible Subordinated Notes ("Notes"), due in 2002. The Company retired \$15 million and \$4.5 million of the Notes in fiscal 1996 and 2000, respectively. The Notes are subordinated to all existing and future senior debt and are convertible into shares of the Company's common stock at a rate of \$28.625 per share. The Notes became redeemable at the option of the Company in June 1998 at 102.75% initially and thereafter at prices declining to 100% in June 2000, plus accrued interest. Each holder of the Notes has the right, subject to certain conditions and restrictions, to require the Company to offer to repurchase any Notes owned by such holder at specified prices plus accrued interest. Issuance costs of \$4.6 million have been netted against the Notes balance in the consolidated balance sheet and are being amortized over the seven-year term of the Notes using the straight-line method which approximates the effective interest method. Interest on the Notes is payable semi-annually on June 1 and December 1. In the fourth quarter of fiscal 2000, holders converted approximately \$1.0 million of the Notes into approximately 34,000 shares of common stock. Based upon quoted market prices, the fair value of the outstanding Notes was approximately \$249.7 million at April 2, 2000.

The fair value of the mortgage payable, based on current rates and time to maturity, was \$6.9 million at April 2, 2000.

Note 6

----- Commitments

The Company leases most of its administrative and some manufacturing facilities under operating lease agreements which expire at various dates through fiscal 2008.

During fiscal 2000, the Company renegotiated its \$64 million Tax Ownership Operating Lease and extended the lease term to May 2005. The lease relates to the Company's wafer fabrication facility in Hillsboro, Oregon. Monthly rent payments under the lease vary based on the London Interbank Offering Rate (LIBOR). Under the terms of the transaction, the Company now earns interest income, also based on LIBOR, on its 79% purchase interest in the rental stream.

The Company is required to maintain a deposit of \$50.6 million with the lessor (\$57.1 million at March 28, 1999). The Company can, at its option, acquire the leased assets at original cost or, at the end of the lease, arrange for them to be acquired by others. In the event of a decline in asset residual value at lease termination, the Company could incur a liability of up to the amount of the purchase interest, or \$50.6 million. In addition, the Company must comply with certain financial covenants.

As of April 2, 2000, the aggregate future minimum rent commitments under all operating leases, including the Hillsboro facility, were as follows (in thousands): \$22,713 (2001), \$21,842 (2002), \$16,957 (2003), \$12,161 (2004), \$10,256 (2005) and \$9,183 (2006 and thereafter). Rent expense for the years ended April 2, 2000, March 28, 1999 and March 29, 1998 totaled approximately \$23.3 million, \$21.4 million and \$20.0 million, respectively.

As of April 2, 2000, two secured standby letters of credit were outstanding. The first letter (\$8.0 million, expiring in June 2000) is required for customs bonds related to international sales. The second letter (\$2.5 million, expiring in October 2000) is required as collateral enhancement for a mortgage. The Company also has foreign exchange facilities used for hedging arrangements with several banks that allow the Company to enter into foreign exchange contracts of up to \$85 million, of which \$45.4 million was available at April 2, 2000.

As of April 2, 2000, the Company had outstanding commitments of approximately \$30 million for equipment purchases.

Note 7

Litigation

In November 1998, the Company, along with 25 other companies, was sued in the U.S. District Court for the District of Arizona by the Lemelson Foundation ("Lemelson") for alleged patent infringement. Lemelson made similar allegations against the Company's subsidiary, Quality Semiconductor, Inc., and 87 other defendants in a lawsuit filed in February 1999. In November 1999, the Company entered into an agreement with Lemelson that settled all outstanding claims and granted the Company a license to use the Lemelson patents asserted against the Company and its subsidiary. In the third quarter of fiscal 2000, the Company reversed the excess portion of reserves previously provided for this matter.

From time to time, the Company is subject to other legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of trademarks and other intellectual property rights. The Company is not currently aware of any other legal proceedings that the Company believes may have, individually or in the aggregate, a material adverse effect on the Company's financial condition or results of operations.

During the normal course of business, the Company is notified of claims that it may be infringing on patents issued to other parties and is currently involved in license negotiations. Should the Company elect to enter into license agreements with other parties or should the other parties resort to litigation, the Company may be obligated in the future to make payments or to otherwise compensate these third parties, which could have an adverse effect on the Company's financial condition or results of operations.

Note 8

Stockholders' Equity

Stock Option Plans. Shares of common stock reserved for issuance under the Company's stock option plans include 13,500,000 shares under the 1994 Employee Stock Option Plan, 7,500,000 shares under the 1997 Employee Stock Option Plan, and 108,000 shares under the 1994 Director Stock Option Plan. At April 2, 2000, a total of 5,523,000 options were available but unissued under these plans. Also outstanding and exercisable at April 2, 2000 were options initially granted under previous stock option plans which have not been canceled or exercised.

Under the plans, options are issued with an exercise price equal to the market price of the Company's common stock on the date of grant, and the maximum option term is 10 years. Plan participants typically receive an initial grant that vests in annual and/or monthly increments over four years. Thereafter, participants generally receive a smaller annual grant which vests on the same basis as the initial grant. Prior to fiscal 1999, such annual grants vested four years from the date of grant.

In connection with the merger with QSI (see Note 2), each stock option outstanding under QSI's stock option plans was converted to an option of the Company's stock at a ratio of 0.6875. No additional options may be granted under QSI's stock option plans. All tables presented below have been restated as if the merger had occurred at the beginning of fiscal 1998.

Notes to Consolidated Financial Statements

Following is a summary of the Company's stock option activity and related weighted average exercise prices for each category:

(shares in thousands)	Fiscal 2000		Fiscal 1999		Fiscal 1998	
	Shares	Price	Shares	Price	Shares	Price
Beginning options outstanding	19,401	\$ 6.30	18,034	\$ 8.88	15,852	\$ 7.95
Granted	5,165	13.66	16,986	6.88	5,549	11.23
Exercised	(6,776)	5.65	(640)	4.14	(1,457)	6.10
Canceled	(3,047)	7.29	(14,979)	10.17	(1,910)	10.16

Ending options outstanding	14,743	\$ 8.97	19,401	\$ 6.30	18,034	\$ 8.88
Ending options exercisable	5,997	\$ 6.50	4,259	\$ 4.06	7,812	\$ 6.39

In fiscal 1999, employees and officers holding options to purchase approximately 12.4 million shares of the Company's common stock were offered the opportunity to cancel options in exchange for grants of new options at an exercise price of \$7.125, the fair market value of IDT stock on July 15, 1998. A total of 12.0 million shares were exchanged and are shown in the grant and cancellation activity for fiscal 1999.

Under SFAS No. 123, the Company is required to estimate the fair value of each option on the date of grant. Option valuation models, such as the Black-Scholes model, were developed in order to value freely traded options under ideal market conditions. The Company's stock option awards differ significantly since they always have vesting restrictions and generally are not transferable. Models such as Black-Scholes also require highly subjective assumptions, including expected time until exercise and future stock price volatility. The calculated fair value of an option on the grant date is highly sensitive to changes in these subjective assumptions.

The Company has applied the Black-Scholes model to estimate the grant-date fair value of stock option grants in fiscal 2000, 1999 and 1998, based upon the following weighted-average assumptions: expected volatility of 60% to 65%, expected time-to-exercise of 1.5 years from vest date, risk-free interest rates of 4.4% to 6.7% and a dividend yield of 0%. The weighted-average fair value per stock option granted in fiscal 2000, 1999 and 1998, as estimated in accordance with SFAS No. 123, was \$7.30, \$3.21 and \$6.42, respectively.

Following is summary information about stock options outstanding at April 2, 2000:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 1.63 - \$ 4.13	1,029	2.2	\$ 2.45	994	\$ 2.42
4.26 - 6.78	855	5.0	5.56	335	5.87
7.06 - 7.13	8,153	5.3	7.11	4,413	7.12
7.63 - 10.00	2,710	6.3	7.78	155	8.45
10.13 - 19.06	852	6.2	15.08	59	12.90
23.13 - 38.00	1,144	6.7	28.91	41	27.64

Notes to Consolidated Financial Statements

Employee Stock Purchase Plan. The Company is authorized to issue up to 8,500,000 shares of its common stock under its 1984 Employee Stock Purchase Plan (ESPP). All domestic employees are eligible to participate. The purchase price of the stock is 85% of the lower of the closing price at the beginning or at the end of each offering period (typically fiscal quarters). Following is a summary of activity under the Company's ESPP:

(shares in thousands)	Fiscal 2000	Fiscal 1999	Fiscal 1998
Number of shares issued	806	1,207	506
Average issuance price	\$ 7.29	\$ 5.28	\$ 9.78
Number of shares available at year-end	2,095	1,401	658

Under SFAS No. 123, the Company must estimate the fair value of employees' ESPP purchase rights. Valuing the rights involves the use of option valuation models which are incapable of addressing transferability and vesting restrictions inherent in the ESPP rights. Estimating the value of these ESPP rights requires highly subjective assumptions about future events, such as stock price volatility, and the resulting estimates are sensitive to changes in these

assumptions.

The Company has estimated the fair value of ESPP rights using the Black-Scholes option valuation model with the following weighted-average assumptions: an expected life equal to the offering period (typically one fiscal quarter); expected volatility of 60% to 65%; risk-free interest rate of 4.6% to 5.5% and a dividend yield of 0%. The weighted-average fair value per ESPP right granted in fiscal 2000, 1999 and 1998, as estimated in accordance with SFAS No. 123, was \$3.34, \$1.98 and \$4.15 respectively.

Pro Forma Net Income (Loss) and Net Income (Loss) Per Share. Following are the pro forma amounts to which the Company's net income (loss) and income (loss) per share would have been reduced, had the Company recorded compensation costs based on the estimated grant-date fair value, as estimated in accordance with SFAS No. 123, of awards granted under its stock option and employee stock purchase plans. The pro forma amounts include compensation costs related only to fiscal 2000, 1999 and 1998 stock option grants and purchase rights only. In future years, the annual compensation expense will increase relative to the fair value of stock options and purchase rights granted in those future years.

(in thousands, except per share amounts)	Fiscal 2000	Fiscal 1999	Fiscal 1998
Pro forma net income (loss)	\$110,043	\$(332,885)	\$(8,610)
Pro forma basic earnings (loss) per share	\$ 1.21	\$ (4.05)	\$ (0.10)
Pro forma diluted earnings (loss) per share	1.11	(4.05)	(0.10)

Stockholder Rights Plan. In December 1998, the Board of Directors adopted a stockholder rights plan designed to protect the long-term value of the Company for its stockholders during any future unsolicited acquisition attempt. In connection with the plan, the Board declared a dividend of one preferred share purchase right for each share of the Company's common stock outstanding on January 4, 1999 and further directed the issuance of one such right with respect to each share of the Company's common stock that is issued after January 4, 1999, except in specified circumstances. The rights will expire on December 21, 2008. The rights are initially attached to the Company's common stock and will not trade separately. If a person or a group (an "Acquiring Person") acquires 15% or more of the Company's common stock, or announces an intention to make a tender offer for the Company's common stock, the consummation of which would result in a person or group becoming an Acquiring Person, then the rights will be distributed. After distribution, each right may be exercised for one-hundredth of a share of a newly designated Series A Junior Participating Preferred Stock, par value of \$0.001 per share, at a price of \$45.00. The preferred stock has been structured so that the value of one-hundredth of a share of such preferred stock will approximate the value of one share of common stock.

Notes to Consolidated Financial Statements

Stock Repurchase Program. In September 1998, the Company's Board of Directors authorized the repurchase of up to ten million shares of IDT common stock. The Company repurchased 856,000 shares at an approximate aggregate cost of \$4.6 million during fiscal 1999. The repurchases were recorded as treasury stock and resulted in a reduction of stockholders' equity. In November 1998, the Board of Directors terminated the repurchase authorization. As of April 2, 2000, the Company had completed the reissuance of all treasury shares in conjunction with the Company's stock option and employee stock purchase plans. The Company uses a first-in, first-out method for the reissuance of treasury shares and any excess of repurchase cost over reissuance price has been recorded as a reduction of retained earnings.

Other. In fiscal 1999, the Company issued 571,731 shares of its common stock to settle a liability under an existing cross licensing arrangement. The settlement was valued at approximately \$6.3 million and was recorded as additional paid-in capital.

Note 9

Employee Benefits Plans

Under the Company's Profit Sharing Plan, all eligible employees receive profit sharing contributions of 7% of pre-tax earnings in cash, and an additional 1% of pre-tax earnings is divided equally among all domestic employees and contributed to the Company's 401(k) plan. The contributions for fiscal 2000, 1999 and 1998 for this plan, net of administrative expenses, were \$11.0 million, \$0.3 million and \$0.9 million, respectively.

The Company pays an annual cash bonus to certain executive officers and other key employees based on profitability and individual performance. For fiscal 2000, 1999 and 1998, the amount accrued under the bonus plan was 6% of operating income, or \$7.8 million, none and \$0.8 million, respectively.

Note 10

Income Taxes

The components of income (loss) before provision (benefit) for income taxes were as follows:

(in thousands)	April 2, 2000	March 28, 1999	March 29, 1998
United States	\$ 108,555	\$(266,529)	\$ (5,530)
Foreign	28,931	46	17,306
	<u>\$ 137,486</u>	<u>\$(266,483)</u>	<u>\$ 11,776</u>

The provision for income taxes consisted of the following:

(in thousands)	April 2, 2000	March 28, 1999	March 29, 1998
Current:			
United States	\$ 3,930	\$ (260)	(3,756)
State	88	-	-
Foreign	2,857	1,138	2,855
	<u>6,875</u>	<u>878</u>	<u>(901)</u>
Deferred:			
United States	-	31,505	4,734
State	-	622	(155)
Foreign	-	(549)	(359)
	<u>-</u>	<u>31,578</u>	<u>4,220</u>
Provision for income taxes	<u>\$ 6,875</u>	<u>\$32,456</u>	<u>\$ 3,319</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of deferred tax assets and liabilities were as follows:

(in thousands)	April 2, 2000	March 28, 1999
Deferred tax assets:		
Deferred income on shipments to distributors	\$ 26,249	\$ 19,345
Non-deductible accruals and reserves	23,752	30,172

Capitalized inventory and other expenses	1,228	(682)
Other	4,264	3,330
Net operating loss & credit carryforwards	31,803	64,190
Impairment loss and restructuring reserves	71,969	77,841
Deferred licensing revenue	11,574	-
Equity earnings in affiliates	13,262	7,566
	-----	-----
	184,101	201,762
	-----	-----
Deferred tax liabilities:		
Depreciation and amortization	(43,218)	(32,465)
Unrealized gain on equity securities	(89,074)	-
	-----	-----
	(132,292)	(32,465)
	-----	-----
Valuation allowance	(51,809)	(169,297)
	-----	-----
Net deferred tax assets	\$ -	\$ -
	=====	=====

Notes to Consolidated Financial Statements

As of April 2, 2000 and March 28, 1999, the Company had established a full valuation allowance for its net deferred tax assets because of uncertainty of their realization. The valuation allowance for deferred tax assets decreased by approximately \$117.5 million in fiscal 2000. The decrease in the allowance was primarily due to an increase in deferred tax liabilities related to unrealized gains on available-for-sale equity securities. The Company also utilized certain net operating loss carryforwards during fiscal 2000.

The provision for income taxes differs from the amount computed by applying the U.S. statutory income tax rate of 35% to income before the provision (benefit) for income taxes as follows:

(in thousands)	April 2, 2000	March 28, 1999	March 29, 1998
Provision (benefit) at U.S. statutory rate	\$ 48,120	\$ (93,269)	\$ 4,121
Differences in U.S. and foreign taxes	(6,857)	547	(1,943)
General business credits	(4,477)	(5,469)	(2,098)
Tax exempt interest	-	-	(70)
State tax, net of federal benefit	234	(12,727)	(101)
Valuation allowance	(117,488)	138,877	-
Net operating loss carryback limitation	-	6,794	5,094
Deferred gains on investments	89,074	-	-
Other	(1,731)	(2,297)	(1,684)
	-----	-----	-----
Provision for income taxes	\$ 6,875	\$ 32,456	\$ 3,319
	=====	=====	=====

A Malaysian law change exempted the Company's Malaysia subsidiary from any income tax obligation for fiscal 1999. Under Malaysian law, in fiscal 2000 and past years, the Company generated certain tax incentive benefits and expects that a portion of these benefits will be available in years after fiscal 2000 to reduce its local tax obligations below the 28% statutory rate.

The Company's manufacturing subsidiary in the Philippines operates under a tax holiday which expires in September 2002.

The Company's intention is to permanently reinvest a portion of its foreign subsidiary earnings, while it intends to remit as a dividend to its U.S. parent company, at some future date, the remainder of these earnings. Accordingly, U.S. taxes have not been provided on approximately \$59.4 million of permanently

reinvested foreign subsidiary earnings. U.S. taxes have been provided, pursuant to APB Opinion No. 23, on \$23.7 million in foreign subsidiary earnings that are intended to be remitted as a dividend at some future date. Upon distribution of foreign subsidiary earnings in the form of dividends or otherwise, the Company will be subject to both U.S. income taxes and various foreign country withholding taxes.

As of April 2, 2000, the Company had federal and state net operating loss carryforwards of approximately \$16.6 million and \$12.9 million, respectively, which will expire in the years 2002 through 2018 if not utilized. In addition, the Company had approximately \$13.9 million of federal research and development tax credit carryforwards, which expire in various years between fiscal years 2013 and 2020, and \$2.4 million of federal alternative minimum tax credit carryforwards which can be used over an indefinite future period. The Company also had available approximately \$8.9 million of state income tax credit carryforwards having no expiration date. No benefits for the net operating loss and tax credits carryforwards have been recognized in the financial statements.

Examination by the IRS of the Company's income tax returns for the fiscal years 1995 and 1996 began in fiscal 1998. Management expects that this audit will be completed during fiscal 2001 and believes that the ultimate resolution of these examinations will not have any material adverse impact on the Company's financial condition or results of operations.

Notes to Consolidated Financial Statements

Note 11

Segment Reporting

The Company operated in three segments during fiscal 1998-2000: (1) Communications and High-Performance Logic, (2) SRAMs and Other and (3) x86 Microprocessors. The Communications and High-Performance Logic segment includes communications memories, communications applications-specific standard products (ASSPs), RISC microprocessors and high-performance logic and clock management devices. The SRAMs and Other segment consists mainly of high-speed SRAMs. In the second quarter of fiscal 2000, the Company completed the sale of x86 intellectual property and its Centaur design subsidiary and the Company expects future x86 Microprocessor segment revenues, if any, to be insignificant.

The accounting policies for segment reporting are the same as for the Company as a whole (see Note 1). IDT evaluates segment performance on the basis of operating profit or loss, which excludes interest expense, interest and other income, and taxes. There are no intersegment revenues to be reported. IDT does not identify or allocate assets by operating segment, nor does the chief operating decision maker (the CEO of the Company) evaluate groups on the basis of these criteria.

IDT's segments offer different products. Products that fall under the three segments are manufactured using different levels of process technology. A significant portion of the wafers produced for the SRAMs and Other segment are fabricated at IDT's technologically advanced, eight-inch wafer production facility in Hillsboro. Wafers for the x86 Microprocessors segment were also produced at the Hillsboro facility. Most wafers for the Communications and High-Performance Logic segment are produced at IDT's older, six-inch facilities located in Salinas, California and Australia.

Products in the SRAMs and Other segment have primarily commodity characteristics, including high unit sales volumes and lower gross margins. These commodity products are sold to a variety of customers in diverse industries, including communications. Products in the x86 Microprocessors segment were sold mainly to customers in the computing market and also tended to have commodity characteristics, including relatively low margins. Unit sales of products in the Communications and High-Performance Logic segment with the exception of logic devices, tend to be lower than those in the SRAMs and Other segment, but generally have higher margins. Products in the Communications and High-Performance Logic segment are sold to communications oriented customers and consumers of high-performance logic.

One distributor represented 19%, 22% and 15% of net revenues for fiscal 2000, 1999 and 1998, respectively.

The tables below provide information about the reportable segments for fiscal 2000, 1999 and 1998.

Segment Revenues.

(in thousands)	Fiscal Year Ended		
	April 2, 2000	March 28, 1999	March 29, 1998
Communications and High- Performance Logic	\$497,777	\$442,787	\$463,684
SRAMs and Other	194,605	126,505	178,539
X86 Microprocessors	9,340	31,725	7,604
Total revenues	<u>\$701,722</u>	<u>\$601,017</u>	<u>\$649,827</u>

Segment Profit (Loss).

(in thousands)	Fiscal Year Ended		
	April 2, 2000	March 28, 1999	March 29, 1998
Communications and High- Performance Logic	\$125,357	\$ 89,195	\$115,347
SRAMs and Other	(9,163)	(101,816)	(85,845)
x86 Microprocessors	(10,095)	(21,562)	(15,914)
Restructuring charges, asset impairment and other	4,726	(204,244)	-
Other nonrecurring costs	-	(19,682)	-
Interest expense	(13,967)	(14,787)	(15,210)
Interest income and other, net	40,628	6,413	13,398
Income (loss) before income taxes	<u>\$137,486</u>	<u>\$ (266,483)</u>	<u>\$ 11,776</u>

The Company's significant operations outside of the United States include manufacturing facilities in Malaysia and the Philippines and sales subsidiaries in Japan, Asia Pacific and Europe. Revenues from unaffiliated customers by geographic area, based on the customers' shipment locations, were as follows:

(in thousands)	Fiscal Year Ended		
	April 2, 2000	March 28, 1999	March 29, 1998
United States	\$434,452	\$379,076	\$394,985
Europe	123,728	113,533	118,929
Japan	76,209	48,674	55,477
Asia Pacific	67,333	59,734	80,436
Total revenues	<u>\$701,722</u>	<u>\$601,017</u>	<u>\$649,827</u>

Notes to Consolidated Financial Statements

The Company's long-lived assets consist primarily of property, plant and equipment, which are summarized below by geographic area:

April 2, March 28,

(in thousands)	2000	1999
United States	\$187,967	\$213,228
Malaysia	34,734	43,550
Philippines	36,700	36,263
All other countries	706	6,194
Total property, plant and equipment, net	\$260,107	\$299,235

Note 12
Related Party Transactions

The Company holds an equity interest of approximately 11% in Quantum Effect Devices Inc. ("QED"). A stockholder and director of the Company also holds an equity interest of approximately 1% in QED. The Company's share of losses in QED, which was recorded as interest income and other, net, was \$1.1 million in fiscal 1998. The Company paid royalty expenses of \$3.2 million, \$3.1 million and \$3.2 million to QED in fiscal 2000, 1999 and 1998 respectively.

In the fourth quarter of fiscal 2000, the Company sold a portion of its equity interest in connection with QED's initial public offering. IDT recognized a pretax gain of \$11.3 million which is included in interest income and other, net.

The Company holds an equity interest of approximately 21% (55% on an as converted basis) in Clear Logic, Inc., a corporation founded by a former IDT executive officer. The Company's losses associated with the operating results of Clear Logic were \$14.8 million, \$11.1 million and \$4.9 million in fiscal 2000, 1999 and 1998, respectively; these amounts are reported as interest income and other, net. The Company increased its investment by \$10.0 million, \$6.0 million and \$12.1 million in fiscal 2000, 1999 and 1998, respectively. IDT's investment in Clear Logic has now been fully amortized and the Company does not expect to record additional losses in future periods. In the fourth quarter of fiscal 2000, a portion of the Company's investment was converted into a redeemable debt instrument. During fiscal 1999, the Company also extended a secured loan to Clear Logic in the amount of \$3.0 million, of which \$2.1 million was outstanding at the end of fiscal 2000.

During fiscal 1998, a director of IDT acted as an uncompensated agent on behalf of a subsidiary of the Company in acquiring parcels of land for future corporate development. As of March 28, 1999, the Company owed the director \$11.5 million, representing the purchase price of the land. In fiscal 2000, that subsidiary sold the land at its acquisition price to Acquisition Technology, Inc., of which the director is president.

Note 13

Derivative Financial Instruments

The Company has foreign subsidiaries which operate and sell or manufacture the Company's products in various global markets. As a result, the Company is exposed to changes in foreign currency exchange rates. The Company primarily utilizes forward exchange contracts to hedge against the short-term impact of foreign currency fluctuations on certain assets or liabilities denominated in foreign currencies. The total amount of these contracts is offset by the underlying assets or liabilities denominated in foreign currencies. The gains or losses on these contracts are included in income as the exchange rates change. Management believes that these forward contracts do not subject the Company to undue risk due to foreign exchange movements because gains and losses on these contracts are offset by gains and losses on the underlying asset and transactions being hedged. Forward exchange contracts related to firm purchase and sales commitments are considered identifiable hedges, and realized and unrealized gains and losses are deferred until settlement of the underlying commitments. At April 2, 2000 and March 28, 1999, deferred gains and losses were not material.

Notes to Consolidated Financial Statements

Foreign exchange hedge positions, which include buy and sell positions

generally with maturities of less than one year, were as follows:

(In thousands of U.S. dollars)	April 2, 2000		March 28, 1999	
	Buy	Sell	Buy	Sell
Japanese Yen	\$12,284	\$38,405	\$ 8,675	\$19,297
British Pound				
Sterling	1,752	1,474	1,133	2,433
Australian Dollar	11,400	5,732	-	-
Netherlands Guilder	3,757	1,846	10,919	1,304
Other	1,213	122	-	-
Total at settlement value	\$30,406	\$47,579	\$20,727	\$23,034
Total at fair value	\$30,278	\$48,911	\$20,059	\$22,716

The Company is exposed to credit-related losses if counterparties to financial instruments fail to perform their obligations. However, the Company does not expect any counterparties, which presently have high credit ratings, to fail to meet their obligations. The Company controls credit risk through credit approvals, limits and monitoring procedures including the use of high-credit quality counterparties.

Note 14

Licensing Agreements and Sales of Assets

In September 1999, the Company completed the sale of x86 intellectual property and its Centaur x86 microprocessor design subsidiary, located in Austin, Texas, to VIA Technologies Inc. ("VIA"), a Taiwanese company, and its partners for an aggregate amount of \$31 million. The design subsidiary consisted mainly of x86-related employees and property, plant and equipment. IDT and VIA also entered into a patent cross license agreement relating to certain non-x86 IDT patents under which IDT received \$20 million.

The Company recorded a pretax gain of \$19.6 million, net of transaction costs, upon closure of the sale transaction. The Company also deferred \$20.0 million in future revenue related to the cross license agreement, which is being recognized ratably over the remaining average life of the patents, which approximates seven years.

In August 1999, the Company also entered into an intellectual property cross-license agreement with Intel Corporation for \$20.5 million, \$8.5 million of which was recognized as revenue during the quarter ended September 26, 1999. The remaining cross license fee is being recognized ratably over the average remaining life of the patents, which approximates seven years.

In the fourth quarter of fiscal 2000, the Company recorded a contingent loss of approximately \$3 million relating to the pending sale of excess manufacturing assets acquired in the merger with QSI. The loss is included in interest income and other, net. The sale is expected to be finalized in the first quarter of fiscal 2001.

Note 15

Subsequent Events

Conversion of Subordinated Notes. In April 2000, the Company called for redemption of its 5.5% Convertible Subordinated Notes ("Notes"), effective May 15, 2000. Substantially all holders elected to convert their Notes into IDT common stock, increasing the number of shares outstanding by approximately 6.34 million. The Company paid \$0.4 million to holders who selected the cash option. During fiscal 2000, interest and other expenses attributable to the Notes were approximately \$10.1 million, net of taxes.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED) QUARTERLY RESULTS OF OPERATIONS
(in thousands, except per share data)

Fiscal Year Ended April 2, 2000				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 153,981	\$ 173,544	\$ 176,698	\$ 197,499
Restructuring charges, asset impairment and other	--	--	(3,783)	(943)
Gross profit	68,369	84,298	88,993	99,956
Net income	8,478	40,467	31,231	50,435
Basic earnings per share	0.10	0.45	0.34	0.54
Diluted earnings per share	0.09	0.41	0.31	0.49

Fiscal Year Ended March 28, 1999				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 153,021	\$ 146,731	\$ 149,705	\$ 151,560
Restructuring charges, asset impairment and other	28,916	178,328	--	(3,000)
Gross profit (loss)	17,487	(132,756)	54,507	64,787
Net income (loss)	(50,945)	(239,362)	(9,985)	1,353
Basic earnings (loss) per share	(0.59)	(2.74)	(0.11)	0.02
Diluted earnings (loss) per share	(0.59)	(2.74)	(0.11)	0.02

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

Not applicable.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item with respect to the Company's Directors is incorporated herein by reference from the Company's Proxy Statement for the 2000 Annual Meeting of Stockholders which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the fiscal year ended April 2, 2000, and the information required by this item with respect to the Company's executive officers is incorporated herein by reference from the section entitled "Executive Officers of the Registrant" in Part I, Item 4A of this Report.

The information concerning compliance with Section 16 of the Securities Exchange Act of 1934 is incorporated herein by reference from the Company's Proxy Statement for the 2000 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference from the Company's Proxy Statement for the 2000 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference from the Company's Proxy Statement for the 2000 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated herein by reference from the Company's Proxy Statement for the 2000 Annual Meeting of Stockholders.

PART IV

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

(a) 1. Financial Statements

The financial statements (including the notes thereto) listed in the Index to Consolidated Financial Statements (set forth in Item 8 of Part II of this Form 10-K) are filed as part of this Annual Report on Form 10-K

(a) 2. Financial Statement Schedules

The following are filed as part of this Annual Report on Form 10-K:

Financial Statement Schedule II - Valuation and Qualifying Accounts

Report of Independent Accountants on Financial Statement Schedules

All other schedules have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the consolidated financial statements or notes thereto.

3. (a) Listing of Exhibits

Exhibit No.	
Page	Description
----	-----
2.1*	Agreement and Plan of Reorganization dated as of October 1, 1996, by and among the Company, Integrated Device Technology Salinas Corp. and Baccarat Silicon, Inc. (previously filed as Exhibit 2.1 to the Quarterly Report on Form 10-Q for the Fiscal Quarter Ended December 29, 1996).
2.2*	Agreement of Merger dated as of October 1, 1996, by and among the Company, Integrated Device Technology Salinas Corp. and Baccarat Silicon, Inc. (previously filed as Exhibit 2.2 to the Quarterly Report on Form 10-Q for the Fiscal Quarter Ended December 29, 1996).
2.3*	Agreement and Plan of Merger, dated as of November 1, 1998, by and among the Company, Penguin Acquisition, Inc. and Quality Semiconductor, Inc. (previously filed as Exhibit 2.03 to the Registration Statement on Form S-4 filed on March 24, 1999).
3.1*	Restated Certificate of Incorporation (previously filed as Exhibit 3A to Registration Statement on Form 8-B dated September 23, 1987).
3.2*	Certificate of Amendment of Restated Certificate of Incorporation (previously filed as Exhibit 3(a) to the Registration Statement on Form 8 dated March 28, 1989).
3.3*	Certificate of Amendment of Restated Certificate of Incorporation (previously filed as Exhibit 4.3 to the Registration Statement on Form S-8 (File Number 33-63133) filed on October 2, 1995).
3.4*	Certificate of Designations specifying the terms of the Series A Junior Participating Preferred Stock of IDT, as filed with the Secretary of State of Delaware (previously filed as Exhibit 3.6 to the Registration Statement on Form 8-A filed December 23, 1998).
3.5*	Bylaws of the Company, as amended and restated effective December 21, 1998 (previously filed as Exhibit 3.2 to the Quarterly Report on Form 10-Q for the Fiscal Quarter Ended December 27, 1998).
4.1*	Rights Agreement dated December 21, 1998 between the Company and BankBoston, N.A., as Rights Agent (previously filed as Exhibit 4.1 to the Registration Statement on Form 8-A filed December 23, 1998).
4.2*	Form of Indenture between the Company and The First National Bank of Boston, as Trustee, including Form of Notes (previously filed as Exhibit 4.6 to the Registration Statement on Form S-3 (File number 33-59443)).

10.1 Second Amendment to Lease dated September 1999 between the Company and Morton and Jeanette Rude Trust relating to 2975 Stender Way, Santa Clara, California.

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Exhibit No. Page ----	Description -----
10.2	Third Amendment to Lease dated August 1999 between the Company and Spieker Properties L.P. relating to 3001 Stender Way, Santa Clara, California.
10.3	Lease dated September 1999 between the Company and S.I. Hahn LLC relating to 2972 Stender Way, Santa Clara, California.
10.4*	Amended and Restated 1984 Employee Stock Purchase Plan, as amended through August 27, 1998 (previously filed as Exhibit 4.10 to the Registration Statement on Form S-8 (File Number 333-64279) filed on September 25, 1998).**
10.5*	1994 Stock Option Plan, as amended through April 25, 1996 (previously filed as Exhibit 4.5 to the Registration Statement on Form S-8 (File Number 333-36601) filed on September 26, 1997).**
10.6*	1994 Directors Stock Option Plan and related documents (previously filed as Exhibit 10.18 to the Quarterly Report on Form 10-Q for the Fiscal Quarter Ended October 2, 1994).**
10.7*	Form of Indemnification Agreement between the Company and its directors and officers (previously filed as Exhibit 10.68 to Annual Report on Form 10-K for the Fiscal Year Ended April 2, 1989).**
10.8*	Technology License Agreement between the Company and MIPS Technologies, Inc (previously filed as Exhibit 10.8 to the Annual Report on Form 10-K for the Fiscal Year Ended March 28, 1999).***
10.9*	Patent License Agreement between the Company and American Telephone and Telegraph Company ("AT&T") dated May 1, 1992 (previously filed as Exhibit 19.1 to Quarterly Report on Form 10-Q for the Quarter Ended June 28, 1992) (Confidential Treatment Granted).
10.10*	Master Distributor Agreement dated August 26, 1985 between the Company and Hamilton/Avnet Electronics, Division of Avnet, Inc. (previously filed as Exhibit 10.54 to the Registration Statement on Form S-1 (File Number 33-3189))
10.11	Rent Purchase Agreement and Second Amendment to Sublease of the Land and Lease of the Improvements by and among Sumitomo Bank Leasing and Finance, Inc. and the Company dated September 1999.
10.12*	1995 Executive Performance Plan (previously filed as Exhibit 10.22 to the Quarterly Report on Form 10-Q for the Fiscal Quarter Ended October 1, 1995).**
10.13*	Letter amending Patent License Agreement between the Company and AT&T dated December 4, 1995 (previously filed as Exhibit 10.23 to the Annual Report on Form 10-K for the Fiscal Year Ended March 31, 1996) (Confidential Treatment Granted).
10.14*	Lease dated July 1995 between the Company and American National Insurance Company relating to 3250 Olcott Street, Santa Clara, California (previously filed as Exhibit 10.25 to the Annual Report for the Fiscal Year Ended March 31, 1996).
10.15*	Registration Rights Agreement dated as of October 1, 1996 among the Company, Carl E. Berg and Mary Ann Berg (previously filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the Fiscal Quarter Ended December 29, 1996).
10.16*	1997 Stock Option Plan, as amended through April 21, 1998 (previously filed as Exhibit 4.9 to the Registration Statement on Form S-8 (file no. 333-64279) filed on September 25, 1998).

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Exhibit No. Page ----	Description -----
10.17*	Purchase and Sale Agreement and Joint Escrow Instructions between the Company and Cadence Design Systems, Inc., dated December 1998

- (previously filed as Exhibit 10.27 to the Registration Statement on Form S-4 as filed on March 24, 1999).
- 10.18* Lease between the Company and James S. Lindsey dated March 1999 (previously filed as Exhibit 10.28 to the Registration Statement on Form S-4 as filed on March 24, 1999).
- 10.19 Lease between the Company and S.I. Hahn, LLC dated December 1999 relating to 3001 Coronado Drive, Santa Clara, California.
- 10.20 Lease between the Company and S.I. Hahn, LLC dated February 2000 relating to 2901 Coronado Drive, Santa Clara, California.
- 21.1 Subsidiaries of the Company.
- 23.1 Consent of PricewaterhouseCoopers LLP.
- 27.1 Financial Data Schedules
- 27.2 Restated Financial Data Schedules

* These exhibits were previously filed with the Commission as indicated and are incorporated herein by reference.

** These exhibits are management contracts or compensatory plans or arrangements required to be filed pursuant to Item 14 (c) of Form 10-K.

*** Confidential treatment has been requested for certain portions of this document pursuant to an application for confidential treatment sent to the Securities and Exchange Commission. Such portions have been redacted and marked with a triple asterisk. The non-redacted version of this document has been sent to the Securities and Exchange Commission.

(b) Reports on Form 8-K: Not applicable.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT

SCHEDULES

To the Board of Directors
of Integrated Device Technologies, Inc.

Our audits of the consolidated financial statements referred to in our report dated April 21, 2000, except for Note 15, which is as of May 15, 2000, relating to the financial statements appearing in this Annual Report on Form 10-K also included an audit of the financial statement schedules listed in Item 14(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP
San Jose, California
April 21, 2000, except for Note 15,
which is as of May 15, 2000

SCHEDULE II

INTEGRATED DEVICE TECHNOLOGY, INC.
VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Charged to Other Accounts	Deductions and Write-offs	Balance at End of Period
(in thousands)					
Allowance for returns and doubtful accounts					
Year ended March 29, 1998	\$ 6,128	\$ 4,532	\$ 5,065	\$ (7,567)	\$ 8,158
Year ended March 28, 1999	8,158	513	2,320	(5,689)	5,302
Year ended April 2, 2000	5,302	455	7,451	(7,163)	6,045

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.

INTEGRATED DEVICE TECHNOLOGY, INC.
Registrant

June 23, 2000

By: /s/ Jerry G. Taylor

President and 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 date indicated.

Signature -----	Title -----	Date ----
/s/ Jerry G. Taylor ----- Jerry G. Taylor	President, Chief Executive Officer and Director (Principal Executive Officer)	June 23, 2000
/s/ Alan F. Krock ----- Alan F. Krock	Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)	June 23, 2000
/s/ Carl E. Berg ----- Carl E. Berg	Director	June 23, 2000
/s/ John C. Bolger ----- John C. Bolger	Director	June 23, 2000
/s/ Federico Faggin ----- Federico Faggin	Director	June 23, 2000

SECOND AMENDMENT TO LEASE
2975 STENDER WAY, SANTA CLARA, CALIFORNIA

THIS SECOND AMENDMENT TO LEASE (this "2nd Amendment") is made this 1st day of September, 1999 between the Morton and Jeanette Rude Trust, successor in interest to Morton Rude and to Crow-Spieker-French #43 (the "Landlord"), and Integrated Device Technology, Inc, a Delaware corporation, successor in interest to Synertek, a Delaware corporation, (the "Tenant").

WHEREAS, Landlord and Tenant entered into a Lease dated August 1, 1979, (as amended, the "Lease"), for those certain premises located at 2975 Stender Way, Santa Clara, California (the "Premises"), as more fully described in the Lease. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Lease; and

WHEREAS, Landlord and Tenant desire to modify the lease as provided herein.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, the parties hereby mutually agree as follows:

TERM: The term of this Lease shall be extended by a period of sixty (60) months beyond the currently scheduled expiration date of June 30, 2000 and revised effective January 1, 2000. Unless otherwise modified by mutual written agreement or extended as provided herein this lease shall expire June 30, 2005.

RENT: Base Rent for the Premises shall be as follows:

January 1, 2000 through June 30, 2001	\$63,367.90 per month
July 1, 2001 through June 30, 2002	\$65,553.00 per month
July 1, 2002 through June 30, 2003	\$67,138.10 per month
July 1, 2003 through June 30, 2004	\$69,923.20 per month
July 1, 2004 through June 30, 2005	\$72,108.30 per month

TENANT IMPROVEMENTS: The Premises are to be taken in an "as-is" condition.

OPTION TO RENEW: Tenant shall, provided this Lease is in full force and effect and Tenant is not and has not been in default under any of the terms and conditions of this lease, have one (1) option to renew this lease for a term of five (5) years, for the Premises in an "as-is" condition and on the same terms and conditions set forth in this Lease, except as modified by the terms, covenants and conditions set forth below:

- (1) If Tenant elects to exercise such option, then Tenant shall provide Landlord with written notice no earlier than the date which is two hundred seventy (270) days prior to the expiration of the then current term of this Lease, but no later than 5:00 p.m. (Pacific Standard Time) on the date which is one hundred eighty (180) days prior to the expiration of the then

SECOND AMENDMENT TO LEASE
2975 STENDER WAY, SANTA CLARA, CALIFORNIA

current term of this Lease. If Tenant fails to provide such notice, Tenant shall have no further or additional right to extend or renew the term of this Lease.

- (2) The Base Rent in effect at the expiration of the then current term of this Lease shall be increased to reflect ninety-five percent (95%) of the current fair market rental for comparable space in other similar buildings in the same rental market as of the date the renewal term is to commence, taking into account the specific provisions of this Lease which will remain constant, and the Building amenities, location, identity, quality, age, condition, term of lease, tenant improvements, services provided, and other pertinent items.

- (3) Landlord shall advise Tenant of the new Base Rent for the Premise for the applicable renewal term based on Landlord's determination of fair market rental value, no later than fifteen (15) days after receipt of notice of Tenant's exercise of its option to renew.
- (4) Landlord and Tenant shall negotiate in good faith to agree on the fair market rental value of the Premises and terms and conditions for the renewal term. If Tenant and Landlord are unable to agree on a mutually acceptable rental rate for the renewal term within thirty (30) days after notification by Landlord to Tenant of Landlord's determination of the new Base Rent for the renewal term, but in any event no later than the date which is ninety (90) days prior to the expiration of the then current term, then on or before such date Landlord and Tenant shall each appoint a licensed real estate broker with at least ten (10) year's experience in leasing R & D/industrial space in the area in which the Building is located to act as arbitrators. The two (2) arbitrators so appointed shall determine the fair market rental value for the Premises for the applicable renewal term based on the above criteria and each shall submit his or her determination of such fair market rental value to Landlord and Tenant in writing, within sixty (60) days after their appointment.

If the two (2) arbitrators so appointed cannot agree on the fair market rental value for the applicable renewal term within such 60-day period, the two (2) arbitrators shall within five (5) days thereafter appoint a third arbitrator who shall be a licensed real estate broker with at least ten (10) year's experience in leasing R & D/industrial space in the area in which the Building is located. The third arbitrator so appointed shall independently determine the fair market rental value for the Premises for the renewal term within thirty (30) days after appointment, by selecting from the proposals submitted by each of the first two arbitrators the one that most closely approximates the third arbitrator's determination of such

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SECOND AMENDMENT TO LEASE
2975 STENDER WAY, SANTA CLARA, CALIFORNIA

fair market rental value. The third arbitrator shall have no right to adopt a compromise or middle ground or any modification of either of the proposals submitted by the first two arbitrators. The proposal chosen by the third arbitrator as most closely approximating the third arbitrator's determination of the fair market rental value shall constitute the decision and award of the arbitrators and shall be final and binding on the parties.

Each party shall pay the fees and expenses of the arbitrator appointed by such party and one-half (1/2) of the fees and expenses of the third arbitrator.

If either party fails to appoint an arbitrator, or if either of the first two arbitrators fails to submit his or her proposal of fair market rental value to the other party, in each case within the time periods set forth above, then the decision of the other party's arbitrator shall be considered final and binding.

In the event the third arbitrator fails to present a fair market rental value within such 30-day period, then by mutual consent of the Landlord and Tenant:

- (a) the time period will be extended, or
- (b) If either Landlord or Tenant do not wish to extend the time period, a fourth arbitrator shall be selected by the first two arbitrators and a new thirty (30) day period shall begin.

- (5) Notwithstanding anything to the contrary contained in this

Paragraph, in no event shall the Base Rent for the renewal term be less than the Rent in effect in the last year of this second Amendment (\$1.65 per square foot per month). In addition, Landlord shall have no obligation to provide or pay for any tenant improvements or brokerage commissions during any renewal term.

- (6) Tenant's right to exercise the option to renew under this Paragraph shall be conditioned upon Tenant occupying the entire Premises and the same not being occupied by any assignee, subtenant or licensee other than Tenant or its affiliate at the time of exercise of the option and commencement of the renewal term. Tenant's exercise of the option to renew shall constitute a representation by Tenant to Landlord that as of the date of exercise of the option and the commencement of the renewal term, Tenant does not intend to seek to assign this Lease in whole or in part, or sublet all or any portion of the Premises.

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SECOND AMENDMENT TO LEASE
2975 STENDER WAY, SANTA CLARA, CALIFORNIA

- (7) Any exercise by Tenant of any option to renew under this Paragraph shall be irrevocable. If requested by Landlord, Tenant agrees to execute a lease amendment or, at Landlord's option, the parties will negotiate and agree to a new lease for the Building, reflecting the foregoing terms and conditions, prior to the commencement of the renewal term. The option to renew granted under this Paragraph is/are not transferable; the parties hereto acknowledge and agree that they intend that each option to renew this Lease under this Paragraph shall be "personal" to the specific Tenant named in this Lease and that in no event will any assignee or sublessee have any rights to exercise such option to renew.

RENTAL VALUE INSURANCE: Tenant shall obtain and keep in force a policy in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full rent for one (1) year.

Except as expressly modified above, all terms and conditions of the Lease remain in full force and effect and are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have entered into this second Amendment as of the date first written above.

LANDLORD:

TENANT:

Morton and Jeanette Rude Trust

Integrated Device Technology, Inc.,
a Delaware corporation

By: Morton Rude
Trustee

By: /s/

Morton Rude

By: /s/

Jerry Fielder

Its: Trustee

Its: Vice President of Administration

Dated: 9/17/99

Dated: 9/17/99

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THIRD AMENDMENT TO LEASE

THIS THIRD AMENDMENT TO LEASE (this "3rd Amendment") is made this 3rd day of August 1999 between Spieker Properties, L.P., a California limited partnership, successor in interest to Crow-Spieker-French #34 (the "Landlord"), and Integrated Device Technology, Inc., a Delaware corporation, successor in interest to Synertek, a California corporation, (the "Tenant").

WHEREAS, Landlord and Tenant entered into a Lease dated April 11, 1977, (as amended, the "Lease"), for those certain premises located at 3001 Stender Way, Santa Clara, California (the "Premises"), as more fully described in the Lease. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Lease; and

WHEREAS, Landlord and Tenant desire to modify the Lease as provided herein.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, the parties hereby mutually agree as follows:

TERM: The term of this Lease shall be extended by a period of sixty (60) months beyond the currently scheduled expiration date of June 30, 2000. Unless otherwise modified by mutual written agreement or extended as provided herein, this Lease shall expire June 30, 2005.

RENT: Base Rent for the Premises shall be as follows:

July 1, 2000 through June 30, 2001:	\$ 89,646.25 per month
July 1, 2001 through June 30, 2002:	\$ 92,737.50 per month
July 1, 2002 through June 30, 2003:	\$ 95,828.75 per month
July 1, 2003 through June 30, 2004:	\$ 98,920.00 per month
July 1, 2004 through June 30, 2005:	\$102,011.25 per month

TENANT IMPROVEMENTS: The Premises are to be taken in "as-is" condition.

OPTION TO RENEW: Tenant shall, provided this Lease is in full force and effect and Tenant is not and has not been in default under any of the terms and conditions of this Lease, have one (1) option to renew this Lease for a term of five (5) years, for the Premises in "as is" condition and on the same terms and conditions set forth in this Lease, except as modified by the terms, covenants and conditions set forth below:

- (1) If Tenant elects to exercise such option, then Tenant shall provide Landlord with written notice no earlier than the date which is two hundred seventy (270) days prior to the expiration of the then current term of this Lease, but no later than 5:00 p.m. (Pacific Standard Time) on the date which is one hundred eighty (180) days prior to the expiration of the then current term of this Lease. If Tenant fails to provide such notice, Tenant shall have no further or additional right to extend or renew the term of this Lease.
- (2) The Base Rent in effect at the expiration of the then current term of this Lease shall be increased to reflect ninety-five percent (95%) of the current fair market rental for comparable space in the Building or Project and in other similar buildings in the same rental market as of the date the renewal term is to commence, taking into account the specific provisions of this Lease which will remain constant, and the Building amenities, location, identity, quality, age, condition, term of lease, tenant improvements, services provided, and other pertinent items.
- (3) Landlord shall advise Tenant of the new Base Rent for the Premises for the applicable renewal term based on Landlord's determination of fair market rental value, no later than fifteen (15) days after receipt of notice of Tenant's exercise of its option to renew.

- (4) Landlord and Tenant shall negotiate in good faith to agree on the fair market rental value of the Premises and terms and conditions for each renewal term. If Tenant and Landlord are unable to agree on a mutually acceptable rental rate for any renewal term within thirty (30) days after notification by Landlord to Tenant of Landlord's determination of the new Base Rent for the applicable renewal term, but in any event no later than the date which is ninety (90) days prior to the expiration of the then current term, then on or before such date Landlord and Tenant shall each appoint a licensed real estate broker with at least ten (10) year's experience in leasing industrial space in the area in which the Building is located to act as arbitrators. The two (2) arbitrators so appointed shall determine the fair market rental value for the Premises for the applicable renewal term based on the above criteria and each shall submit his or her determination of such fair market rental value to Landlord and Tenant in writing, within sixty (60) days after their appointment.

If the two (2) arbitrators so appointed cannot agree on the fair market rental value for the applicable renewal term within such 60-day period, the two (2) arbitrators shall within five (5) days thereafter appoint a third arbitrator who shall be a licensed real estate broker with at least ten (10) year's experience in leasing industrial space in the area in which the Building is located. The third arbitrator so appointed shall independently determine the fair market rental value for the Premises for the renewal term within thirty (30) days after appointment, by selecting from the proposals submitted by each of the first two arbitrators the one that most closely approximates the third arbitrator's determination of such fair market rental value. The third arbitrator shall have no right to adopt a compromise or middle ground or any modification of either of the proposals submitted by the first two arbitrators. The proposal chosen by the third arbitrator as most closely approximating the third arbitrator's determination of the fair market rental value shall constitute the decision and award of the arbitrators and shall be final and binding on the parties.

Each party shall pay the fees and expenses of the arbitrator appointed by such party and one-half (1/2) of the fees and expenses of the third arbitrator.

If either party fails to appoint an arbitrator, or if either of the first two arbitrators fails to submit his or her proposal of fair market rental value to the other party, in each case within the time periods set forth above, then the decision of the other party's arbitrator shall be considered final and binding.

In the event the third arbitrator fails to present a fair market rental value within such 30-day period, then by mutual consent of the Landlord and Tenant:

- (a) the time period will be extended, or
 - (b) If either Landlord or Tenant do not wish to extend the time period, a fourth arbitrator shall be selected by the first two arbitrators and a new thirty (30) day period shall begin
- (5) Notwithstanding anything to the contrary contained in this Paragraph, in no event shall the Base Rent for any renewal term be less than the Base Rent in effect at the commencement of this Amendment Number Three (\$1.45 per square foot per month). In addition, Landlord shall have no obligation to provide or pay for any tenant improvements or brokerage commissions during any renewal term.
- (6) Tenant's right to exercise the option to renew under this Paragraph shall be conditioned upon Tenant occupying the entire Premises and the same not being occupied by any assignee, subtenant or licensee other than Tenant or its affiliate at the time of exercise of the option and commencement of the renewal term. Tenant's exercise of the option to renew shall constitute a representation by Tenant to Landlord that as of the date of

exercise of the option and the commencement of

the renewal term, Tenant does not intend to seek to assign this Lease in whole or in part, or sublet all or any portion of the Premises.

- (7) Any exercise by Tenant of any option to renew under this Paragraph shall be irrevocable. If requested by Landlord, Tenant agrees to execute a lease amendment or, at Landlord's option, the parties will negotiate and agree to a new lease agreement based on Landlord's then standard lease form for the Building, reflecting the foregoing terms and conditions, prior to the commencement of the renewal term. The option to renew granted under this Paragraph is/are not transferable; the parties hereto acknowledge and agree that they intend that each option to renew this Lease under this Paragraph shall be "personal" to the specific Tenant named in this Lease and that in no event will any assignee or sublessee have any rights to exercise such option to renew.

Except as expressly modified above, all terms and conditions of the Lease remain in full force and effect and are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have entered into this 3rd Amendment as of the date first written above.

LANDLORD:

TENANT:

Spieker Properties, L.P.,
a California limited partnership

Integrated Device Technology, Inc.,
a Delaware Corporation

By: Spieker Properties, Inc.
a Maryland corporation
its General Partner

By: /s/ John W. Petersen

By: /s/ Tom Wroblewski

John W. Petersen

Tom Wroblewski

Its: Vice President

Its: Vice President of Human Resources

NET LEASE AGREEMENT

(Single Tenant)

For and in consideration of the rentals, covenants, and conditions hereinafter set forth, Landlord hereby leases to Tenant, and Tenant hereby rents from Landlord, the herein described Premises for the term, at the rental and subject to and upon all of the terms, covenants and agreements set forth in this Net Lease Agreement ("Lease"):

1. Summary of Lease Provisions.

1.1 Tenant: Integrated Device Technology International, Inc., a California corporation ("Tenant").

1.2 Landlord: S.I. Hahn, LLC, a California limited liability company ("Landlord").

1.3 Date of Lease, for reference purposes only: September 7, 1999.

1.4 Premises: That certain building, consisting of approximately fifty thousand four hundred (50,400) rentable square feet of space, more or less, located at 2972 Stender Way, in the City of Santa Clara, County of Santa Clara, State of California, shown cross-hatched on the site plan attached hereto as Exhibit "A", together with certain rights appurtenant thereto. (Paragraph 2.1)

1.5 Term: Five (5) years, unless earlier terminated in accordance with the terms of this Lease or extended pursuant to the terms of Paragraph 3.5 below. (Paragraph 3)

1.6 Commencement Date: January 1, 2000, subject to the provisions of Paragraph 3 below. (Paragraph 3)

1.7 Ending Date: December 31, 2004, subject to the provisions of Paragraph 3 below. (Paragraph 3)

1.8 Rent: (Paragraph 4)

Months Initial Lease Term	Monthly Rent NNN
-----	-----
1-12	\$78,120 (\$1.55 psf)
13-24	\$81,144 (\$1.61 psf)
25-36	\$84,168 (\$1.67 psf)
37-48	\$87,192 (\$1.73 psf)
49-60	\$90,216 (\$1.79 psf)

Receipt of the first month's Rent is hereby acknowledged by Landlord.

The monthly Rent to be paid during the first year of the Extended Term (as defined below) shall be determined in accordance with the terms of Paragraph 4.4. Every twelve calendar months during the Extended Term the monthly Rent shall be increased by an additional \$0.06 per rentable square foot comprising the Premises. The first such adjustment shall occur on the first day of the thirteenth month of the Extended Term. (Paragraph 4.4)

1.9 Use of Premises: light industrial and general office use (Paragraph 6)

1.10 Security Deposit: Zero (\$0.00)

1.11 Addresses for Notices:

To Landlord:

SI Hahn LLC
c/o SIH Investment, Inc.
21580 Stevens Creek Blvd., Suite 107
Cupertino, CA. 95014
Attn: Sang Hahn

To Tenant: To the Premises, with a courtesy copy to:

1.12 Non-exclusive Right to Use No More than one hundred eighty-four (184) parking spaces within the Common Area. (Paragraph 2.1)

1.13 Summary Provisions in General. Parenthetical references in this Paragraph 1 to other paragraphs in this Lease are for convenience of reference, and designate some of the other Lease paragraphs where applicable provisions are set forth. All of the terms and conditions of each such referenced paragraph shall be construed to be incorporated within and are made a part of each of the above referring Summary of Lease Provisions. In the event of any conflict between any Summary of Lease Provision as set forth above and the balance of the Lease, the latter shall control.

2. Property Leased.

2.1 Premises. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, upon the terms and conditions herein set forth, that certain building ("Premises") referred to in Paragraph 1.4 above, shown cross-hatched on the site plan attached hereto as Exhibit "A". In addition, Tenant shall have the following rights with respect to the real property more particularly described in the legal description attached as Exhibit "B" hereto and excluding the buildings situated thereon ("Common Area"): (i) the non-exclusive right to use no more than the number of parking spaces set forth in Paragraph 1.12 above, within the Common Area (and not allocated for the exclusive use of another tenant of Landlord); and (ii) such other rights as are necessary and convenient to Tenant's possession of the Premises or performance of Tenant's obligations under this Lease. Landlord agrees that it will not overburden the parking areas comprising the Common Area by over-allocating the parking areas to other tenants of Landlord. In addition, Landlord grants to Tenant a non-exclusive easement for vehicular ingress and egress in and over the paved roadways in the Common Area and pedestrian ingress and egress in and over the Common Area.

Landlord reserves the right to grant to tenants of the buildings or improvements which now exist or may hereafter be constructed upon the Common Area or upon real property owned by Landlord adjacent to the Common Area, and to the agents, employees, servants, invitees, contractors, guests, employees, servants, invitees, contractors, guests, customers and representatives of such tenants or to any other user authorized by Landlord, the non-exclusive right to use the Common Area for pedestrian and vehicular ingress and egress and vehicular parking and the exclusive right to use parking spaces on the Common Area.

2.2 Intentionally Omitted.

2.3 Acceptance of Premises. Tenant acknowledges that, at the time of executing this Lease, Tenant is occupying the Premises under a lease agreement with Landlord. Tenant is extremely familiar with the physical condition of the Premises and agrees to accept the Premises, as of the Commencement Date hereunder, in its then "as is", "where is" condition, with all faults. As of the Commencement Date, Tenant shall be deemed to have accepted the Premises as being in good and sanitary order, condition and repair and to have accepted the Premises in their condition existing as of the date Tenant takes possession of the Premises, subject to all applicable laws, covenants, conditions, restrictions, easements and other matters of public record and the rules and regulations from time to time promulgated by Landlord governing the use of the Premises and Common Area, and further, to have

accepted tenant improvements to be constructed by Landlord (if any) as being completed in accordance with the plans and specifications for such improvements, subject only to completion of items on Landlord's punch list. Tenant acknowledges that neither Landlord nor Landlord's agents have made any representation or warranty as to the suitability of the Premises for the conduct of Tenant's business, the condition of the Premises, or the use or occupancy which may be made thereof and Tenant has independently investigated and is satisfied that the Premises are suitable for Tenant's intended use and that the Premises meets all governmental requirements for such intended use.

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3. Term.

3.1 Commencement Date. The term of this Lease ("Lease Term") shall be for the period specified in Paragraph 1.5 above, commencing on the date set forth in Paragraph 1.6 ("Commencement Date"). The expiration of the Lease Term or sooner termination of this Lease is referred to herein as the "Lease Termination".

3.2 Delay of Commencement Date. Landlord shall not be liable for any damage or loss incurred by Tenant for Landlord's failure for whatever cause to deliver possession of the Premises by any particular date (including the Commencement Date), nor shall this Lease be void or voidable on account of such failure to deliver possession of the Premises; provided that if Landlord does not deliver possession of the Premises to Tenant by the date which is ninety (90) days following the date the Commencement Date of this Lease, Tenant shall have the right to terminate this Lease by written notice delivered to Landlord within ten (10) days thereafter, and Landlord and Tenant shall be relieved of their respective obligations hereunder. If the Commencement Date is delayed beyond the date set forth in Paragraph 1.6 above (i.e. January 1, 2000) because Landlord is not able to deliver possession of the Premises to Tenant on or before such date, then (i) Tenant shall not be obligated to pay Rent under this Lease until possession of the Premises is delivered to Tenant, (ii) the Commencement Date shall be extended to the date Landlord delivers possession of the Premises to Tenant (but in no event shall such Commencement Date be extended later than six months from January 1, 2000), and (iii) the all dates that are keyed off of the Commencement Date (such as the Ending Date) shall be extended by the same number of days as the Commencement Date is extended.

3.3 Intentionally Omitted.

3.4 Intentionally Omitted.

3.5 Option to Extend Term. Landlord hereby grants to Tenant one (1) option to extend the initial Lease Term for a period of five (5) years (the "Extended Term"), on the following terms and conditions:

(a) Tenant shall give Landlord written notice of its exercise of the option to extend the Lease Term no earlier than nine (9) months nor later than six (6) months before the date the Lease Term would end but for said exercise. Time is of the essence.

(b) Tenant may not extend the Lease Term pursuant to this Paragraph 3.5 if Tenant is in material default of any of its obligations under this Lease as of the date of Tenant's notice of exercise of the option (and such default has not been cured within the cure or grace period, if any, applicable to such default), or if Tenant shall have assigned or otherwise transferred its interest in this Lease and/or the Premises, whether or not Landlord's consent to such assignment or transfer has been given, to any third party other than an Affiliate of Tenant (as described in Paragraph 24.5 below). If Tenant is in default under this Lease on the date that the applicable Extended Term is to commence, then Landlord may elect to terminate

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this Lease, notwithstanding any notice given by Tenant of an exercise of its option to extend and such exercise of Tenant's option to extend the Lease Term shall be void and of no force or effect.

(c) All terms and conditions of this Lease shall apply during the Extended Term, except that the monthly base Rent for the Extended Term shall be determined in accordance with Paragraph 4.4 below, Tenant shall have no further options to extend the Lease Term beyond the Extended Term described in this Paragraph 3.5 and Landlord shall have no obligation to construct or install any tenant improvements in the Premises for the benefit of the Tenant.

(d) Once Tenant delivers notice of its exercise of the option to extend the Lease Term, Tenant may not withdraw such exercise and, subject to the provisions of this Paragraph 3.5, such notice shall operate to extend the Lease Term. The preceding to the contrary notwithstanding, if the Rent payable during the Extended Term is determined pursuant to Paragraph 4.4(b) below, and Tenant objects to the amount of such Rent as determined pursuant to such Paragraph 4.4(b), then Tenant may elect to rescind its extension notice by delivering to Landlord, within ten (10) days following the date Tenant is informed of the amount of Rent determined pursuant to Paragraph 4.4(b), (i) written notice of rescission, and (ii) an amount equal to the sum of (1) an amount equal to the appraisal costs paid or incurred by Landlord pursuant to the provisions of Paragraph 4.4(b) below, plus (2) the product obtained by multiplying (x) the monthly base Rent determined pursuant to Paragraph 4.4(b), by (y) six (6) (such sum being hereinafter referred to as the "Rescission Fee"). In the event such rescission notice is timely given and payment of such Rescission Fee is timely made, then the Lease Term shall expire on the date the Lease Term would otherwise have expired had Tenant not exercised its option to extend the Lease Term. Time is of the essence with respect to the delivery of the rescission notice and Rescission Fee. If Tenant does not deliver such rescission notice and Rescission Fee to Landlord within the ten (10) day period referred to above, then Tenant shall be deemed to have waived its right to rescind the extension notice. Upon the extension of the Lease Term pursuant to this Paragraph 3.5, the term "Term" as used in this Lease shall thereafter include the Extended Term and the Ending Date of this Lease shall be the expiration date of the Extended Term unless sooner terminated pursuant to the terms hereof.

4. Rent.

4.1 Rent. Tenant shall pay to Landlord as rent for the Premises ("Rent"), in advance, on the first day of each calendar month, commencing on the date specified in Paragraph 1.6 and continuing throughout the Lease Term, the Rent set forth in Paragraph 1.8 above. Rent and Operating Expenses shall be prorated, based on thirty (30) days per month, for any partial month during the Lease Term. Rent and Operating Expenses shall be payable without deduction, offset, prior notice or demand in lawful money of the United States to Landlord at the address herein specified for purposes of notice or to such other persons or such other places as Landlord may designate in writing.

4.2 Late Charge. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent will cause Landlord to incur costs not contemplated by this Lease, 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 Landlord by the terms of any mortgage or deed of trust covering the Premises. Accordingly, Tenant shall pay to Landlord, as Additional Rent (as defined in Paragraph 4.3 below), without the necessity of prior notice or demand, a late charge equal to five percent (5%) of any installment of Rent which is not received by Landlord within ten (10) days after the due date for such installment. The preceding to the contrary notwithstanding, Landlord agrees that, with respect to the first late payment of Rent by Tenant in any twelve month period, Tenant shall not be obligated to pay a late charge on such delinquent Rent unless Tenant fails or refuses to pay such Rent within five (5) business days following receipt of written notice to Tenant. Except with respect to the first delinquency in the payment of Rent in a twelve month period, Landlord shall not be obligated to give Tenant notice of delinquent Rent prior to imposing a late charge on such delinquent Rent. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any installment of Rent or prevent Landlord from

exercising any right or remedy available to Landlord upon Tenant's failure to pay such installment of Rent when due, including without limitation the right to terminate this Lease. In the event any installment of Rent is not received by Landlord by the thirtieth (30th) day after the due date for such installment, such installment shall bear interest at the annual rate set forth in Paragraph 35 below, commencing on the thirty-first (31st) day after the due date for such installment and continuing until such installment is paid in full.

4.3 Additional Rent. All taxes, charges, costs and expenses and other sums which Tenant is required to pay hereunder (together with all interest and charges that may accrue thereon in the event of Tenant's failure to pay the same), and all damages, costs and expenses which Landlord may incur by reason of any Default by Tenant shall be deemed to be additional rent hereunder ("Additional Rent"). Additional Rent shall accrue commencing on the Commencement Date. In the event of nonpayment by Tenant of any Additional Rent, Landlord shall have all the rights and remedies with respect thereto as Landlord has for the nonpayment of Rent. The term "Rentals" as used in this Lease shall mean Rent and Additional Rent.

4.4 Rent During Extended Term. If Tenant elects to extend the Lease Term pursuant to Paragraph 3.5 above, the monthly base Rent for the first year of the Extended Term shall be in an amount equal to ninety-five percent (95%) of the fair market rental value of the Premises in relation to market conditions at the time of the commencement of the Extended Term (including, but not limited to, rental rates for comparable space with comparable tenant improvements in Santa Clara County as of the commencement of the Extended Term and taking into consideration any adjustments to rent based upon direct costs (operating expenses) and taxes, load factors, and/or cost of living or other rental adjustments; the relative strength of the tenants; the size of the space; and any other factors which affect market rental values at the time of the commencement of the Extended Term); however, the monthly base Rent during the first year of the Extended Term shall in no event be lower than Seventy-eight Thousand One Hundred Twenty Dollars (\$78,120) (NNN) per month.

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(a) Mutual Agreement. After timely receipt by Landlord of Tenant's notice of exercise of the option to extend the Lease Term, but not sooner than the date which is nine (9) months prior to the expiration of the initial Lease Term, Landlord and Tenant shall have a period of fifteen (15) days in which to agree on the monthly base Rent to be paid during the first year of the Extended Term. If Landlord and Tenant agree on said monthly base Rent during that period, they shall immediately execute an amendment to this Lease stating the monthly base Rent for the first year of the Extended Term. If Landlord and Tenant are unable to agree on the monthly base Rent for the first year of the Extended Term as aforesaid, then the provisions of Subparagraph (b) below shall apply.

(b) Appraisal. Within ten (10) days after the expiration of the fifteen (15) day period described in Subparagraph (a) above, each party at its cost and by giving notice to the other party, shall appoint an M.A.I. real estate appraiser, with at least seven (7) years full-time commercial appraisal experience in Santa Clara County, to appraise and set the fair market rental value of the Premises. If a party does not appoint an appraiser within ten (10) days after the other party has given notice of the name of its appraiser, the single appraiser appointed shall be the sole appraiser and shall set the fair market rental value. The cost of such sole appraiser shall be borne equally by the parties. If two appraisers are appointed by the parties as provided in this Subparagraph (b), the two appraisers shall meet promptly in an attempt to set the fair market rental value. If they are unable to agree within twenty (20) days after the last appraiser has been appointed, then the two appraisers shall attempt to select a third appraiser meeting the qualifications stated in this Subparagraph (b) within ten (10) days after the last day the two appraisers are given to set the fair market rental value. If they are unable to agree on the third appraiser, either of the parties to this Lease, by giving ten (10) days notice to the other party, may apply to the presiding judge of the Superior Court of Santa Clara County for the selection of a third appraiser who meets the qualifications stated above. Each of the parties shall bear one-half of the cost of appointing the third appraiser and of paying the third appraiser's fee. The third appraiser, however selected, shall be a person who has not previously acted in any capacity for either party. Within twenty (20) days after the selection of the third appraiser, the majority of the appraisers shall set the fair market rental value. If the majority of the appraisers are unable to set the fair market rental value within said twenty (20) day period,

the three appraisals shall be added together and the total divided by three (3); the resulting quotient shall be the fair market rental value and shall be deemed incorporated herein; provided, however, that if any appraisal differs from the median appraisal by an amount equal to more than ten percent (10%) of such median appraisal, that appraisal shall be disregarded, and the average of the remaining appraisals (or the remaining appraisal) shall be the fair market rental value. In establishing the fair market rental value, the appraiser or appraisers shall consider the factors referred to in above in this Subparagraph (b), without regard to the existence of this Lease but taking into consideration the triple net nature of this Lease. The appraiser shall have the right to include adjustments to the monthly base Rent during the Extended Term as part of the fair market rental value of the Premises.

Every twelve calendar months during the Extended Term the monthly base Rent shall be increased by an additional \$0.06 per rentable square foot comprising the Premises. The first such adjustment shall occur on the first day of the thirteenth month of the Extended Term.

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5. Intentionally Omitted.

6. Use of Premises.

6.1 Permitted Uses Tenant shall use the Premises and the Common Area only in conformance with applicable Laws for the purposes set forth in Paragraph 1.9 above, and for no other purpose without the prior written consent of Landlord, which consent Landlord may withhold in its sole discretion. Any change in use of the Premises or the Common Area without the prior written consent of Landlord shall be a Default by Tenant. Tenant and Tenant's agents shall comply with the provisions of any Declaration of Covenants, Conditions, and Restrictions affecting the Premises and the Common Area.

6.2 Tenant to Comply with Legal Requirements. Tenant shall, at its sole cost (except as otherwise expressly provided in this Lease), promptly comply with all Laws relating to or affecting the use, occupational safety, occupancy or condition of the Premises or the Common Area, now in force, or which may hereafter be in force, including without limitation those relating to utility usage and load or number of permissible occupants or users of the Premises, whether or not the same are now contemplated by the parties; with the provisions of all recorded documents affecting the Premises or the Common Area insofar as the same relate to or affect the use, occupational safety, occupancy, or condition of the Premises or the Common Area; and with the requirements of any board of fire underwriters (or similar body now or hereafter constituted) relating to or affecting the use, occupational safety, occupancy or condition of the Premises or the Common Area. Tenant's obligations pursuant to this Paragraph 6.2 shall include without limitation maintaining or restoring the Premises and making structural and non-structural alterations and additions in compliance and conformity with all Laws and recorded documents relating to the use, occupational safety, occupancy or condition of the Premises during the Lease Term. At Landlord's option, Landlord may make the required alteration, addition or change, and Tenant shall pay the cost thereof as Additional Rent. If any portion of the Premises or Common Area is not in compliance with Laws as of the Commencement Date of this Lease, then Tenant shall not be responsible for bringing the Premises or Common Area into compliance, nor shall Tenant be obligated to pay any money to bring the Premises or Common Area into compliance. With respect to any structural alterations or additions as may be hereafter required due to a change in Laws and unrelated to (i) Tenant's specific use of the Premises or the Common Area, (ii) Tenant's alterations, additions or improvements to the Premises, or (iii) Tenant's acts or omissions, Tenant shall be required to pay the amortized cost of such structural alteration or addition, which amount shall be determined as follows: (a) all costs paid by Landlord to construct such alteration or addition (including financing costs) shall be fully amortized over the useful life of such alteration or addition (as determined by Landlord in good faith) with interest on the unamortized balance at the prevailing market rate Landlord would pay if it borrowed funds to construct such alteration or addition from an institutional lender, and (b) as Additional Rent, Tenant shall pay the entire monthly amortized payment with respect to such structural alteration or addition. Tenant's obligation to make payments under the immediately preceding sentence with respect to any structural alteration or addition that is required due to a change in Laws and unrelated to (i) Tenant's specific use of the Premises or Common Area, (ii) Tenant's alterations, additions or

improvements to the Premises, or (iii) Tenant's acts or omissions, shall commence when such alteration or addition has been substantially completed and shall cease upon the earlier of the expiration of the Lease Term (but not upon a termination due to any Default on the part of Tenant) or the end of the term over which the costs of constructing the particular alteration or addition were amortized. Payments of such Additional Rent shall be made concurrently with payments of Base Rent. Tenant shall pay 100% of the cost of any structural alteration or addition that is required due to a change in Laws and related to (i) Tenant's specific use of the Premises or Common Area, (ii) Tenant's alterations, additions or improvements to the Premises, and (iii) Tenant's acts or omissions. Tenant shall obtain prior to the Commencement Date, any permits, licenses or other authorizations required for the lawful operation of its business at the Premises. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant, regardless of whether Landlord is a party thereto or not, that Tenant has violated such Law or recorded document relating to the use, occupational safety, occupancy or condition of the Premises or the Common Area shall be conclusive of the fact of such violation by Tenant. Any alterations or additions undertaken by Tenant pursuant to this Paragraph 6.2 shall be subject to the requirements of Paragraph 13.1 below.

6.3 Prohibited Uses. Tenant and Tenant's agents shall not commit or suffer to be committed any waste upon the Premises. Tenant and Tenant's agents shall not do or permit anything to be done in or about the Premises or Common Area which will in any way obstruct or interfere with the rights of any authorized users of the Common Area, or injure or annoy them. Tenant shall not conduct or permit any auction or sale open to the public to be held or conducted on or about the Premises or Common Area. Tenant and Tenant's agents shall not use or allow the Premises to be used for any unlawful, immoral or hazardous purpose or any purpose not permitted by this Lease, nor shall Tenant or Tenant's agents cause, maintain, or permit any nuisance in, on or about the Premises. Tenant and Tenant's agents shall not do or permit anything to be done in or about the Premises or Common Area nor bring or keep anything in the Premises or Common Area which will in any way increase the rate of any insurance upon the Premises or Common Area or any part thereof or any of its contents, or cause a cancellation of any insurance policy covering the Premises or Common Area or any part thereof or any of its contents, nor shall Tenant or Tenant's agents 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. In the event the rate of any insurance upon the Premises or Common Area or any part thereof or any of its contents is increased because of the acts or omissions of Tenant or Tenant's agents, Tenant shall pay, as Additional Rent, the full cost of such increase to the extent attributable solely to Tenant's or its agents' acts or omissions; provided however this provision shall in no event be deemed to constitute a waiver of Landlord's rights or remedies of Landlord in connection with such increase. Tenant and Tenant's agents shall not place any loads upon the floor, walls or ceiling of the Premises which would endanger the Premises or the structural elements thereof, nor place any harmful liquids in the drainage system of the Premises. No waste materials or refuse shall be dumped upon or permitted to remain upon any part of the Premises or Common Area except in enclosed trash containers. No materials, supplies, equipment, finished products (or semi-finished products), raw materials, or other articles of any nature shall be stored upon, or be permitted to remain on, any portion of the Common Area.

Tenant shall not allow any activity which in the reasonable opinion of Landlord is detrimental to the operation of the Common Area or to tenants of Landlord in other buildings located on the Common Area or upon real property owned by Landlord adjacent to the Common Area, including but not limited to any picketing, work stoppage, or other concerted activity. Landlord shall have the right to require Tenant, at Tenant's own expense and within a reasonable period of time, to use Tenant's commercially reasonable efforts to terminate or control any such picketing, work stoppage or other concerted activity to the extent necessary to eliminate any interference with the operation of the Common Area or such tenants. Failure by Tenant to use its commercially reasonable efforts to do so shall be a Default by Tenant. Nothing contained in this paragraph shall be construed as placing Landlord in an employer-employee relationship with any of Tenant's employees or with any other employees who may be involved in such

activity.

6.4 Hazardous Materials. Neither Tenant nor Tenant's agents shall permit the introduction, placement, use, storage, manufacture, transportation, release or disposition (collectively "Release") of any Hazardous Material(s) (defined below) on or about any portion of the Premises or Common Area without the prior written consent of Landlord, which consent may be withheld in the sole and absolute discretion of Landlord without any requirement of reasonableness in the exercise of that discretion. Notwithstanding the immediately preceding sentence to the contrary, Tenant may use de minimis quantities of the types of materials which are technically classified as Hazardous Materials but commonly used in domestic or office use to the extent not in an amount, which, either individually or cumulatively, would be a "reportable quantity" under any applicable Law. Tenant covenants that, at its sole cost and expense, Tenant will comply with all applicable Laws with respect to the Release of such permitted Hazardous Materials. Any Release beyond the scope allowed in this paragraph shall be subject to Landlord's prior consent, which may be withheld in Landlord's sole and absolute discretion, and shall require an amendment to the Lease in the event Landlord does consent which shall set forth the materials, scope of use, indemnification and any other matter required by Landlord in Landlord's sole and absolute discretion. Tenant shall indemnify, defend and hold Landlord and Landlord's agents harmless from and against any and all claims, losses, damages, liabilities, or expenses arising in connection with the Release of Hazardous Materials by Tenant, Tenant's agents or any other person using the Premises during the Term of this Lease or during the term of Tenant's prior lease of the Premises. Tenant's obligation to defend, hold harmless and indemnify pursuant to this Paragraph 6 4 shall survive Lease Termination.

As used in this Lease, the term "Hazardous Materials" means any chemical, substance, waste or material which has been or is hereafter determined by any federal, state or local governmental authority to be capable of posing risk of injury to health or safety, including without limitation, those substances included within the definitions of "hazardous substances," "hazardous materials," "toxic substances," or "solid waste" under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Resource Conservation and Recovery Act of 1976, and the Hazardous Materials Transportation Act, as amended, and in the regulations promulgated pursuant to said laws; those substances defined as "hazardous wastes" in section 25117 of the California Health & Safety Code, or as "hazardous substances" in section 25316 of the California Health & Safety Code, as amended, and in the regulations

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promulgated pursuant to said laws; those substances listed in the United States Department of Transportation Table (49 CFR 172.101 and amendments thereto) or designated by the Environmental Protection Agency (or any successor agency) as hazardous substances (see, e.g., 40 CFR Part 302 and amendments thereto); such other substances, materials and wastes which are or become regulated or become classified as hazardous or toxic under any Laws, including without limitation the California Health & Safety Code, Division 20, and Title 26 of the California Code of Regulations; and any material, waste or substance which is (i) petroleum, (ii) asbestos, (iii) polychlorinated biphenyls, (iv) designated as a "hazardous substance" pursuant to section 311 of the Clean Water Act of 1977, 33 U.S.C. sections 1251 et seq. (33 U.S.C. ` 1321) or listed pursuant to section 307 of the Clean Water Act of 1977 (33 U.S.C. ` 1317), as amended; (v) flammable explosives; (vi) radioactive materials; or (vii) radon gas.

7. Taxes.

7.1 Personal Property Taxes. Tenant shall cause Tenant's trade fixtures, equipment, furnishings, furniture, merchandise, inventory, machinery, appliances and other personal property installed or located on the Premises (collectively the "personal property") to be assessed and billed separately from the Premises. Tenant shall pay before delinquency any and all taxes, assessments and public charges levied, assessed or imposed upon or against Tenant's personal property. If any of Tenant's personal property shall be assessed with the real property comprising the Common Area or with the Premises, Tenant shall pay to Landlord, as Additional Rent, the amounts attributable to Tenant's personal property within ten (10) days after receipt of a written statement from Landlord setting forth the amount of such taxes, assessments and public charges attributable to Tenant's personal property. Tenant shall comply with the provisions of any Law which requires Tenant to file a report of Tenant's personal property located on the Premises.

7.2 Other Taxes Payable Separately by Tenant. Tenant shall pay, prior to delinquency, all privilege, sales, excise, use, business, occupation, or other taxes, assessments, license fees or charges levied, assessed or imposed upon Tenant's business operations conducted at the Premises.

7.3 Common Taxes.

(a) Definition of Taxes. The term "Taxes" as used in this Lease shall collectively mean (to the extent any of the following are not paid by Tenant pursuant to Paragraphs 7.1 and 7.2 above) all real estate taxes and general and special assessments (including, but not limited to, assessments for public improvements or benefit); personal property taxes; taxes based on vehicles utilizing parking areas on the Common Area; taxes computed or based on rental income or on the square footage of the Premises (including without limitation any municipal business tax but excluding federal, state and municipal net income taxes); taxes upon, allocable to, or measured by the area of the Premises or the Rentals payable hereunder, including without limitation any gross income, gross receipts, excise, or other tax levied by the state, any political subdivision thereof, city or federal government with respect to the receipt of such Rentals (but excluding federal, state and municipal net income taxes); taxes

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upon or with respect to the use, possession, occupancy, leasing, operation and management of the Premises or any portion thereof; taxes upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises; taxes imposed as a means of controlling or abating environmental pollution or the use of energy or any natural resource (including without limitation gas, electricity or water), including, without limitation, any parking taxes, levies or charges or vehicular regulations imposed by any governmental agency; environmental surcharges; excise taxes; gross receipts taxes; sales and/or use taxes; employee taxes; water and sewer taxes, levies, assessments and other charges in the nature of taxes or assessments (including, but not limited to, assessments for public improvements or benefit); and all other governmental, quasi-governmental or special district impositions of any kind and nature whatsoever (excluding utility hook-up fees); regardless of whether any of the foregoing are now customary or within the contemplation of the parties hereto and regardless of whether resulting from increased rate and/or valuation, or whether extraordinary or ordinary, general or special, unforeseen or foreseen, or similar or dissimilar to any of the foregoing and which during the Lease Term are laid, levied, assessed or imposed upon Landlord and/or become a lien upon or chargeable against the Premises and/or Common Area under or by virtue of any present or future laws, statutes, ordinances, regulations, or other requirements of any governmental, quasi-governmental or special district authority whatsoever. The term "Taxes" shall not include reimbursement to Landlord of Landlord's net income taxes, succession, transfer, gift, franchise, estate or inheritance taxes, but shall include any increases in taxes based upon any change of ownership of the Premises or Common Area. The term "environmental surcharges" shall include any and all expenses, taxes, charges or penalties imposed by the Federal Department of Energy, Federal Environmental Protection Agency, the Federal Clean Air Act, or any regulations promulgated thereunder, or imposed by any other local, state or federal governmental agency or entity now or hereafter vested with the power to impose taxes, assessments or other types of surcharges as a means of controlling or abating environmental pollution or the use of energy or any natural resource in regard to the use, operation or occupancy of the Premises and/or the Common Area. The term "Taxes" shall include (to the extent the same are not paid by Tenant pursuant to Paragraphs 7.1 and 7.2 above), without limitation, all taxes, assessments, levies, fees, impositions or charges levied, imposed, assessed, measured, or based in any manner whatsoever upon or with respect to the use, possession, occupancy, leasing, operation or management of the Premises and/or Common Area or in lieu of or equivalent to any Taxes set forth in this Paragraph 7.3(a). In the event any such Taxes are payable by Landlord and it shall not be lawful for Tenant to reimburse Landlord for such Taxes, then the Rentals payable hereunder shall be increased to net Landlord the same net Rental after imposition of any such Tax upon Landlord as would have been payable to Landlord prior to the imposition of any such Tax.

(b) Operating Expenses. All Taxes which are levied or assessed or which become a lien upon the Premises and/or Common Area or which become due or accrue during the Lease Term shall be an Operating Expense, and

Tenant shall pay as Additional Rent each month during the Lease Term 1/12th of such Taxes, based on Landlord's estimate thereof, pursuant to Paragraph 12 below. Taxes during any partial tax fiscal year(s) within the Lease Term shall be prorated according to the ratio which the number of days during the Lease Term

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or of actual occupancy of the Premises by Tenant, whichever is greater, during such year bears to 365.

8. Insurance; Indemnity; Waiver.

8.1 Insurance by Landlord.

(a) Landlord shall, during the Lease Term, procure and keep in force the following insurance, the cost of which shall be an Operating Expense (subject to the limitation on earthquake insurance premium pass-throughs as provided below), payable by Tenant pursuant to Paragraph 12 below:

(i) Property Insurance. "All risk" property insurance, including, without limitation, coverage for boiler and machinery (if applicable); sprinkler damage; vandalism; malicious mischief; full coverage plate glass insurance; and demolition, increased cost of construction and contingent liability from change in building laws on the Premises and Common Area, including any improvements or fixtures constructed or installed on the Premises and Common Area by Landlord. Such insurance shall be in the full amount of the replacement cost of the foregoing, with reasonable deductible amounts, which deductible amounts shall be an Operating Expense, payable by Tenant pursuant to Paragraph 12. Such insurance shall also include rental income insurance, insuring that one hundred percent (100%) of the Rentals (as the same may be adjusted hereunder) will be paid to Landlord for a period of up to twelve (12) months if the Premises are destroyed or damaged, or such longer period as may be required by any beneficiary of a deed of trust or any mortgagee of any mortgage affecting the Premises. Such "all risk" insurance may, at Landlord's election, include coverage for earthquake and/or flood. Landlord agrees that the annual earthquake insurance premium to be included as an Operating Expense (and allocable solely to the Premises) shall not exceed Eight Thousand Eight Hundred Fifty-seven and 65/100 Dollars (\$8,857.65) per year, as such \$8,857.65 shall be increased by five percent (5%) per year during the Lease Term, including the Extended Term. Such property insurance maintained by Landlord shall not cover any leasehold improvements installed in the Premises by Tenant at its expense, or Tenant's equipment, trade fixtures inventory, fixtures or personal property located on or in the Premises;

(ii) Liability Insurance. Comprehensive general liability (lessor's risk) insurance against any and all claims for personal injury, death or property damage occurring in or about the Premises or Common Area. Such insurance shall have a combined single limit of not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate; and

(iii) Other. Such other insurance as Landlord deems reasonably necessary and prudent (as long as available at commercially reasonable premiums).

8.2 Insurance by Tenant. Tenant shall, during the Lease Term, at Tenant's sole cost and expense, procure and keep in force the following insurance:

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(a) Personal Property Insurance. "All risk" property insurance, including, without limitation, coverage for boiler and machinery (if applicable); sprinkler damage; vandalism; malicious mischief; and demolition, increased cost of construction and contingent liability from changes in building laws on all leasehold improvements installed in the Premises by Tenant at its expense (if any) and on all equipment, trade fixtures, inventory, fixtures and personal property located on or in the Premises, including improvements or fixtures hereinafter constructed or installed on the Premises. Such insurance shall be in an amount equal to the full replacement cost of the aggregate of the

foregoing and shall provide coverage comparable to the coverage in the standard ISO all risk form, when such form is supplemented with the coverages required above.

(b) Liability Insurance. Comprehensive general liability insurance for the mutual benefit of Landlord and Tenant, against any and all claims for personal injury, death or property damage occurring in or about the Premises and Common Area, or arising out of Tenant's or Tenant's agents' use of the Common Area, use or occupancy of the Premises or Tenant's operations on the Premises. Such insurance shall have a combined single limit of not less than Three Million Dollars (\$3,000,000) per occurrence and Five Million Dollars (\$5,000,000) aggregate. Such insurance shall contain a cross-liability (severability of interests) clause and an extended ("broad form") liability endorsement, including blanket contractual coverage. The minimum limits specified above are the minimum amounts required by Landlord, and may be revised by Landlord from time to time to meet changed circumstances, including without limitation to reflect (i) changes in the purchasing power of the dollar, (ii) changes indicated by the amount of plaintiffs' verdicts in personal injury actions in the State of California, or (iii) changes consistent with the standards required by other landlords in the county in which the Premises are located. Such liability insurance shall be primary and not contributing to any insurance available to Landlord, and Landlord's insurance (if any) shall be in excess thereto. Such insurance shall specifically insure Tenant's performance of the indemnity, defense and hold harmless agreements contained in Paragraph 8.4, although Tenant's obligations pursuant to Paragraph 8.4 shall not be limited to the amount of any insurance required of or carried by Tenant under this Paragraph 8.2(b). Tenant shall be responsible for insuring that the amount of insurance maintained by Tenant is sufficient for Tenant's purposes.

(c) Other. Such other insurance as required by law, including, without limitation, workers' compensation insurance.

(d) Form of the Policies. The policies required to be maintained by Tenant pursuant to Paragraphs 8.2(a), (b), and (c) above shall be with companies, on forms, with deductible amounts (if any), and loss payable clauses satisfactory to Landlord, shall include Landlord and the beneficiary or mortgagee of any deed of trust or mortgage encumbering the Premises and/or the real property comprising the Common Area as additional insureds, and shall provide that such parties may, although additional insureds recover for any loss suffered by Tenant's negligence. Certified copies of policies or certificates of insurance shall be delivered to Landlord prior to the Commencement Date: a new policy or certificate shall be delivered to Landlord at least thirty (30) days prior to the expiration date of the old policy. Tenant shall have the right to provide insurance coverage which it is obligated to carry pursuant to the terms

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hereof in a blanket policy, provided such blanket policy expressly affords coverage to the Premises and to Tenant as required by this Lease. Tenant shall obtain a written obligation on the part of Tenant's insurer(s) to notify Landlord and any beneficiary or mortgagee of a deed of trust or mortgage encumbering the Premises and/or the real property comprising the Common Area in writing of any delinquency in premium payments and at least thirty (30) days prior to any cancellation or modification of any policy. Tenant's policies shall provide coverage on an occurrence basis and not on a claims made basis. In no event shall the limits of any policies maintained by Tenant be considered as limiting the liability of Tenant under this Lease.

8.3 Failure by Tenant to Obtain Insurance. If Tenant does not take out the insurance required pursuant to Paragraph 8.2 or keep the same in full force and effect, Landlord may, but shall not be obligated to, take out the necessary insurance and pay the premium therefor, and Tenant shall repay to Landlord, as Additional Rent, the amount so paid promptly upon demand. In addition, Landlord may recover from Tenant and Tenant agrees to pay, as Additional Rent, any and all reasonable expenses (including attorneys' fees) and damages which Landlord may sustain by reason of the failure of Tenant to obtain and maintain such insurance, it being expressly declared that the expenses and damages of Landlord shall not be limited to the amount of the premiums thereon.

8.4 Indemnification Tenant shall indemnify, hold harmless, and defend Landlord (except to the extent of the negligence or willful misconduct of Landlord or Landlord's agents, employees or contractors) against all claims, losses, damages, actions, causes of action, penalties, demands, expenses or liabilities for injury or death to any person or for damage to or loss of use of

any property arising out of any occurrence in, on or about the Premises or Common Area, if and to the extent caused or contributed to by Tenant or Tenant's agents, employees or contractors or arising out of any occurrence in, upon or at the Premises or on account of the use, condition, occupational safety or occupancy of the Premises. Tenant's indemnification, defense and hold harmless obligations under this Lease shall include and apply to attorneys' fees, investigation costs, and other costs actually incurred by Landlord. Tenant shall further indemnify, defend and hold harmless Landlord from and against any and all claims, losses, damages, liabilities or expenses arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease. The provisions of this Paragraph 8.4 shall survive Lease Termination with respect to any damage, injury, death, breach or default occurring prior to such termination. This Lease is made on the express condition that Landlord shall not be liable (in the absence of the negligence or willful misconduct of Landlord or Landlord's agents, employees or contractors) for, or suffer loss by reason of, injury to person or property, from whatever cause, in any way connected with the condition, use, occupational safety or occupancy of the Premises specifically including, without limitation, any liability for injury to the person or property of Tenant or Tenant's agents. Anything in this Lease to the contrary notwithstanding, under no circumstances shall Landlord be liable to Tenant for any claims of lost profits, loss of business or lost income.

8.5 Claims by Tenant. Landlord shall not be liable to Tenant, and Tenant waives all claims against Landlord, for injury or death to any person, damage to any property, or loss of use of any property in the Premises or Common Area by and from all causes, including

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without limitation, any defect in the Premises or Common Area and/or any damage or injury resulting from fire, steam, electricity, gas, water or rain, which may leak or flow from or into any part of the Premises, or from breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, whether the damage or injury results from conditions arising upon the Premises or Common Area or from other sources. Landlord shall not be liable for any damages arising from any act or neglect of any other user of the Common Area. Tenant or Tenant's agents shall immediately notify Landlord in writing of any known defect in the Premises or Common Area. The provisions of this Paragraph 8.5 shall not apply to any damages, claims, losses, actions, causes of action, penalties, demands, expenses, liabilities or injuries caused by the negligence or willful misconduct of Landlord's agents, employees or contractors; provided, however, under no circumstances shall Landlord be liable to Tenant for claims of lost profits, loss of business or lost income.

8.6 Mutual Waiver of Subrogation. Landlord hereby releases Tenant, and Tenant hereby releases Landlord, and their respective officers, agents, employees and servants, from any and all claims or demands of damages, loss, expense or injury to the Premises or the Common Area, or to the furnishings, fixtures, equipment, inventory or other property of either Landlord or Tenant in, about or upon the Premises or the Common Area, which is caused by or results from perils, events or happenings which are the subject of insurance carried by the respective parties pursuant to this Paragraph 8 and in force at the time of any such loss, whether due to the negligence of the other party or its agents and regardless of cause or origin; provided, however, that such waiver shall be effective only to the extent permitted by the insurance covering such loss, to the extent such insurance is not prejudiced thereby, and to the extent insured against.

9. Utilities. Landlord agrees to provide, at its cost, water, electricity and telephone service connections into the Premises; but Tenant shall pay during the Lease Term and prior to delinquency all charges for water, gas, light, heat, power, electricity, telephone or other communication service, janitorial service, trash pick-up, sewer and all other services supplied to or consumed on the Premises (collectively the "Services") and all taxes, levies, fees or surcharges therefor. Tenant shall arrange for Services to be supplied to the Premises and shall contract for all of the Services in Tenant's name prior to the Commencement Date. The Commencement Date shall not be delayed by reason of any failure by Tenant to so contract for Services. In the event that any of the Services cannot be separately billed or metered to the Premises, or if any of the Services are not separately metered as of the Commencement Date, the cost of such Services shall be an Operating Expense and Tenant shall pay such cost to

Landlord, as Additional Rent, as provided in Paragraph 12 below, except that Tenant's proportionate share of such Services shall be the percentage obtained by dividing the gross leasable square footage contained in the Premises by the total gross leasable square footage located in all buildings utilizing such Services. The lack or shortage of any Services due to any cause whatsoever shall not affect any obligation of Tenant hereunder, and Tenant shall faithfully keep and observe all the terms, conditions and covenants of this Lease and pay all Rentals due hereunder, all without diminution, credit or deduction. The immediately preceding sentence to the contrary notwithstanding, Landlord agrees that if Services are curtailed or suspended to the

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Premises as a result of the acts or negligence or willful misconduct of Landlord for a period of forty-eight (48) consecutive hours during the Lease Term, then Tenant's Rent payable hereunder shall be equitably abated to the extent such curtailment or suspension of Services interferes with Tenant's use of the Premises (as reasonably determined by Landlord and Tenant) following such forty-eight (48) hour period until such Services are restored.

10. Repairs and Maintenance.

10.1 Landlord's Responsibilities. Subject to the provisions of Paragraph 15 below, Landlord shall maintain in reasonably good order and repair the structural roof and roof surface, structural (i.e. load bearing) and exterior walls (including painting thereof) and foundations of the Premises, except for any repairs required because of the wrongful act of Tenant or Tenant's agents, which repairs shall be made at the expense of Tenant and as Additional Rent. Tenant shall give prompt written notice to Landlord of any known maintenance work required to be made by Landlord pursuant to this Paragraph 10.1. The costs of repairs and maintenance which are the obligation of Landlord hereunder shall be an Operating Expense and Tenant shall pay such costs to Landlord as Additional Rent, as provided in Paragraph 12 below.

To the extent any labor dispute in which Tenant is involved or of which Tenant is the object interferes with the performance of Landlord's duties hereunder, Landlord shall be excused from the performance of such duties and Tenant hereby waives any and all claims against Landlord for damages or losses in regard to such duties.

10.2 Tenant's Responsibilities. Except as expressly provided in Paragraph 10.1 above, Tenant shall, at its sole cost, maintain the entire Premises and every part thereof, including without limitation, windows, skylights, window frames, plate glass, freight docks, doors and related hardware, interior walls and partitions, and the electrical, plumbing, lighting, heating and air conditioning systems in good order, condition and repair. Tenant shall deliver to Landlord, every six (6) months during the Lease Term, a certificate of maintenance or its equivalent, signed by a licensed HVAC repair and maintenance contractor and stating that the heating and air conditioning systems servicing the Premises have been inspected, serviced and are in good order, condition and repair. Tenant's failure to deliver said certificate or its equivalent within thirty (30) days following written notice from Landlord that said certificate is past due shall be a Default by Tenant. If Tenant fails to make repairs or perform maintenance work required of Tenant hereunder within fifteen (15) days after notice from Landlord specifying the need for such repairs or maintenance work, Landlord or Landlord's agents may, in addition to all other rights and remedies available hereunder or by law and without waiving any alternative remedies, enter into the Premises and make such repairs and/or perform such maintenance work. If Landlord makes such repairs and/or performs such maintenance work, Tenant shall reimburse Landlord upon demand and as Additional Rent, for the cost of such repairs and/or maintenance work. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant or Tenant's agents as a result of Landlord performing any such repairs or maintenance (unless such damage, inconvenience or interference is caused by the gross negligence or willful misconduct of

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Landlord or its agents, employees or contractors); provided, however, under no circumstances shall Landlord be liable to Tenant for claims of lost profits,

loss of business or lost income. Tenant shall reimburse Landlord, on demand and as Additional Rent, for the cost of damage to the Premises and/or Common Area caused by Tenant or Tenant's agents, employees or contractors. Tenant expressly waives the benefits of any statute now or hereafter in effect (including without limitation the provisions of subsection 1 of Section 1932, Section 1941 and Section 1942 of the California Civil Code and any similar law, statute or ordinance now or hereafter in effect) which would otherwise afford Tenant the right to make repairs at Landlord's expense (or to deduct the cost of such repairs from Rentals due hereunder) or to terminate this Lease because of Landlord's failure to keep the Premises in good and sanitary order.

11. Common Area.

11.1 In General. Subject to the terms and conditions of this Lease and such rules and regulations as Landlord may from time to time prescribe, Tenant and Tenant's agents shall have the nonexclusive right to use during the Lease Term the access roads, sidewalks, landscaped areas and other facilities on the Common Area. This right to use the Common Area shall terminate upon Lease Termination. Neither Tenant nor Tenant's agents shall at any time park or permit the parking of their vehicles in any portion of the Common Area not designated by Landlord as a parking area.

Landlord reserves the right from time to time to make changes in the shape, size, location, amount and extent of the Common Area. Landlord further reserves the right to promulgate such reasonable rules and regulations relating to the use of all or any portion of the Common Area and to amend such rules and regulations from time to time, with or without advance notice, as Landlord may deem appropriate. Any amendments to the rules and regulations shall be effective as to Tenant, and binding on Tenant, upon delivery of a copy of such rules and regulations to Tenant. Landlord agrees to apply such rules and regulations, and all amendments thereto, in a non-discriminatory manner. Tenant and Tenant's agents shall observe such rules and regulations and any failure by Tenant or Tenant's agents to observe and comply with the rules and regulations shall be a Default by Tenant. Landlord shall not be responsible for the nonperformance of the rules and regulations by any tenants or occupants of the buildings or improvements which now exist or may hereafter be constructed upon the Common Area or upon the real property owned by Landlord adjacent to the Common Area or by any other user authorized by Landlord.

Landlord furthermore reserves the right, after having given Tenant reasonable notice, to have any vehicles owned by Tenant or Tenant's agents which are parked in violation of the provisions of this Paragraph 11.1 or in violation of Landlord's rules and regulations relating to parking, to be towed away at the expense of the owner of the vehicle so towed.

Landlord shall have the right to close, at reasonable times, all or any portion of the Common Area for any reasonable purpose, including without limitation, the prevention of a dedication thereof, or the accrual of rights of any person or public therein; however, such

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closure of the Common Area shall not unreasonably impair Tenant's access to the Premises, Tenant's parking rights as described in this Lease or Tenant's use of the Premises.

11.2 Maintenance by Landlord. Landlord shall operate, manage and maintain the Common Area in good condition and repair and shall manage or cause to be managed the Common Area to reasonable and customary standards. The cost of such maintenance, operation and management, shall be an "Operating Expense", and Tenant shall pay such costs to Landlord, as Additional Rent, as provided in Paragraph 12 below.

12. Operating Expenses.

12.1 Definition. "Operating Expense" or "Operating Expenses" as used in this Lease shall mean and include all items identified in other paragraphs of this Lease as an Operating Expense and the total reasonable cost paid or incurred by Landlord for the operation, maintenance, repair, and management of the Premises and Common Area, which costs shall include, without limitation: the cost of Services and utilities supplied to the Premises and Common Area (to the extent the same are not separately charged or metered to Tenant); water; sewage; fuel; electricity; lighting systems; professional

management fee (not to exceed four percent (4%) of the Premises' gross rental income); fire protection systems; storm drainage and sanitary sewer systems; HVAC including air conditioning (to the extent the heating and air conditioning systems in the Premises are not maintained by Tenant at Tenant's sole cost and expense); repairing the roof structure and roof surface; maintenance and repair of the structural parts of the Premises (including foundation, floor slab and load bearing walls); property and liability insurance covering the Premises and any other insurance carried by Landlord pursuant to Paragraph 8 above; cleaning, sweeping, striping, resurfacing of parking and driveway areas; cleaning the Common Area following storms or other severe weather; cleaning and repairing of sidewalks, curbs, stairways; costs related to irrigation systems; the cost of complying with Laws, including, without limitation, maintenance, alterations and repairs required in connection therewith; the cost of capital improvements made to the Common Area amortized over the useful life of such capital improvements (with interest on the unamortized balance at the prevailing market rate Landlord would pay if it borrowed funds to construct such improvements from an institutional lender); costs related to landscape maintenance; and the cost of contesting the validity or applicability of any governmental enactments which may affect Operating Expenses. Because the Common Area is used by more than one (1) building during the Lease Term, the term "Operating Expenses" shall mean and include all of the Operating Expenses allocable to the Premises and a proportionate share (based on the square footage of gross leasable area in the Premises as a percentage of the total of square footage of gross leasable area of the buildings utilizing the Common Area at the time in question) of all Operating Expenses which are related to such buildings in general and are not allocated to any one building utilizing the Common Area. As of the date of execution of this Lease, the percentage that the square footage of gross leasable area in the Premises bears to the total square footage of gross leasable area of the buildings utilizing the Common Area is twenty-two and fourteen hundredths percent (22.14%). Operating Expenses shall also include an accounting and administrative fee equal to three percent (3%) of the total Operating Expenses (excluding Taxes and insurance premiums). The specific examples of Operating Expenses stated in this Paragraph 12.1 are in no way

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intended to and shall not limit the costs comprising Operating Expenses, nor shall such examples be deemed to obligate Landlord to incur such costs or to provide such services or to take such actions except as Landlord may be expressly required in other portions of this Lease, or except as Landlord, in its sole discretion, may elect. All costs incurred by Landlord in good faith for the operation, maintenance, repair and management of the Premises and Common Area shall be deemed conclusively binding on Tenant.

12.1.1 Operating Expense Exclusions. Notwithstanding anything to the contrary contained in this Lease, in no event shall Tenant have any obligation to perform, to pay directly, or to reimburse Landlord for, all or any portion of the following repairs, maintenance, improvements, replacements, premiums, claims, losses, fees, commissions, charges, disbursements, attorneys' fees, experts' fees, costs and expenses (collectively, "Costs"):

(a) Losses Caused by Others and Construction Defects. Costs occasioned by the act, omission or violation of Law by Landlord or its agents, employees or contractors, or costs arising out of the failure to construct the Building, Premises, tenant improvements installed by Landlord in the Premises, if any, or Common Areas in accordance with Laws and private restrictions applicable at the time of construction thereof.

(b) Condemnation and Insurance Costs. Costs occasioned by the exercise of the power of eminent domain, or increases in insurance Costs caused by the activities of other tenants of buildings in the Coronado Stender Project.

(c) Reimbursable Expenses. Costs for which Landlord has a right of reimbursement from others, or Costs which Tenant pays directly to a third person.

(d) Reserves. Depreciation, amortization or other expense reserves.

(e) Mortgages. Interest, charges and fees incurred on debt, payments or mortgages and rent under ground leases.

(f) Hazardous Materials. Costs incurred to

investigate the presence of any Hazardous Material, Costs to respond to any claim of Hazardous Material contamination or damage, Costs to remove any Hazardous Material from the Premises or Common Area or to remediate any Hazardous Material contamination, and any judgments or other Costs incurred in connection with any Hazardous Material exposure or release, except to the extent such Costs are incurred by Landlord in accordance with Paragraph 6.4 or incurred by Landlord or caused by reason of the storage, use or disposal of the Hazardous Material in question by Tenant, its agents, employees, contractors or invitees.

(g) Management. Any fee, profit or compensation retained by Landlord or its affiliates for management and administration of the Premises or Common Area in excess of the management fee and accounting fee specified in Paragraph 12.1 above.

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(h) Violations. The cost of correcting any code violations that occurred prior to the Commencement Date of the Lease Term.

(i) Benefits. Wages, salaries or other compensation paid to any executive employees above the grade of building manager.

12.2 Payment of Operating Expenses by Tenant. Tenant shall pay the Operating Expenses to Landlord as Additional Rent and without deduction or offset. Upon reasonable written request made by Tenant to Landlord, Landlord shall provide Tenant with copies of invoices supporting the charges of Operating Expenses; however, Tenant shall pay for the reasonable costs incurred by Landlord in making copies of such invoices and the failure of Landlord, if applicable, to timely furnish copies of such invoices to Tenant shall not excuse or relieve Tenant of its obligation to pay Operating Expenses in accordance with the terms of this Lease. Tenant's payment of Operating Expenses shall be based upon Landlord's estimate of Operating Expenses and shall be payable in equal monthly installments in advance on the first day of each calendar month commencing with the month following receipt of Landlord's estimate (and subject to Landlord's right to change the method of payment or right to change Landlord's estimate not more often than once in any calendar year). Within one hundred twenty (120) days after the end of each calendar year (or at Lease Termination), or as soon thereafter as practicable under the circumstances, Landlord shall furnish Tenant a statement showing the actual Operating Expenses for the period to which Landlord's estimate pertains and shall concurrently either bill Tenant for the balance due (payable upon demand by Landlord) or credit Tenant's account for the excess previously paid (except if such statement applies to the last year of the Lease Term and Tenant has overpaid its share of Operating Expenses for such last year of the Lease Term, then Tenant shall be paid the amount of such overpayment in cash following such reconciliation of Operating Expenses in lieu of a credit to Tenant's account).

Notwithstanding anything to the contrary contained in this Lease, within one hundred eighty (180) days after receipt by Tenant of Landlord's statement of Operating Expenses prepared pursuant to Paragraph 12.2 hereof for any prior annual period during the Lease Term, Tenant or its authorized representative shall have the right to inspect the books of Landlord during the business hours of Landlord at Landlord's office or, at Landlord's option, such other location as Landlord reasonably may specify, for the purpose of verifying the information contained in the statement. Unless Tenant asserts specific errors within one hundred eighty (180) days after receipt of the statement, the statement shall be deemed correct as between Landlord and Tenant, except as to individual components subsequently determined to be in error by future audit.

13. Alterations.

13.1 In General. Tenant shall not make, or permit to be made, any alterations, changes, enlargements, improvements or additions (collectively "Alterations") in, on, about or to the Premises, or any part thereof, including Alterations required pursuant to Paragraph 6.2, without the prior written consent of Landlord and without acquiring and complying with the conditions of all permits required for such Alterations by any governmental authority having

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jurisdiction thereof. The term "Alterations" as used in this Paragraph 13 shall also include all heating, lighting, electrical (including all wiring, conduit,

outlets, drops, buss ducts, main and subpanels), air conditioning, and partitioning in the Premises made by Tenant, regardless of how affixed to the Premises. The preceding to the contrary notwithstanding, Tenant shall be permitted, without first obtaining Landlord's consent but upon giving prior written notice to Landlord, to make non-structural Alterations to the Premises during the Lease Term provided (i) the cost of making such non-structural Alterations do not exceed \$10,000 individually or \$50,000 in the aggregate in any lease year during the Lease Term, (ii) such non-structural Alterations do not affect the structural integrity of the Premises or any of the building systems, such as HVAC, mechanical, electrical or plumbing systems within the building comprising the Premises, and (iii) such non-structural Alterations are not visible from the exterior of the Premises. As a condition to the giving of its consent to any Alterations (for which Landlord's consent is required hereunder), Landlord may impose such requirements as Landlord may deem necessary in its sole discretion, including without limitation, the manner in which the work is done; a right of approval of the contractor by whom the work is to be performed; the requirement that Tenant post a completion bond in an amount and form satisfactory to Landlord; and the requirement that Tenant reimburse Landlord, as Additional Rent, for Landlord's actual costs incurred in reviewing any proposed Alteration, whether or not Landlord's consent is granted. All Alterations made by Tenant shall be made at Tenant's sole cost and expense, in accordance with the plans and specifications approved by Landlord. Tenant shall give written notice to Landlord five (5) days prior to employing any laborer or contractor to perform services related to, or receiving materials for use upon the Premises, and prior to the commencement of any work of improvement on the Premises. Any Alterations to the Premises made by Tenant shall be made in accordance with applicable Laws and in a good and workmanlike manner. In making any such Alterations, Tenant shall, at Tenant's sole cost and expense, file for and secure and comply with any and all permits or approvals required by any governmental departments or authorities having jurisdiction thereof and any utility company having an interest therein. In no event shall Tenant make any structural changes to the Premises or make any changes to the Premises which would weaken or impair the structural integrity of the Premises.

13.2 Removal Upon Lease Termination. At the time Tenant requests Landlord's consent, Tenant shall request a decision from Landlord in writing as to whether Landlord will require Tenant, at Tenant's expense, to remove any such Alterations and restore the Premises to their prior condition at Lease Termination. In the event Tenant fails to earlier obtain Landlord's written decision as to whether Tenant will be required to remove any Alteration (or in the event Landlord's consent to any Alterations is not required as provided in Paragraph 13.1 above), then no less than ninety (90) nor more than one hundred twenty (120) days prior to the expiration of the Lease Term, Tenant by written notice to Landlord shall request Landlord to inform Tenant whether or not Landlord desires to have any Alterations made to the Premises by Tenant removed at Lease Termination. Following receipt of such notice or following Tenant's earlier request for a decision as to whether Tenant's Alterations, or any of them, will be required to be removed by Tenant, Landlord may elect to have all or a portion of Tenant's Alterations removed from the Premises at Lease Termination, and Tenant shall, at its sole cost and expense, remove at Lease Termination such Alterations designated by Landlord for removal and repair all damage to the Premises and Common Area arising from

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such removal. In the event Tenant fails to so request Landlord's decision or fails to remove any Alterations designated by Landlord for removal, Landlord may remove any Alterations made to the Premises by Tenant and repair all damage to the Premises and Common Area arising from such removal, and may recover from Tenant all costs and expenses incurred thereby. Tenant's obligation to pay such costs and expenses to Landlord shall survive Lease Termination (except Landlord shall be deemed to have waived its right to receive such costs and expenses if Landlord has not requested or demanded payment of such costs or expenses from Tenant by written notice to Tenant delivered within one hundred eighty days following Lease Termination). Unless Landlord elects to have Tenant remove (or, upon Tenant's failure to obtain Landlord's decision, Landlord removes) any such Alterations, all such Alterations, except for moveable furniture and trade fixtures of Tenant not affixed to the Premises, shall become the property of Landlord upon Lease Termination (without any payment therefor) and remain upon and be surrendered with the Premises at Lease Termination.

13.3 Landlord's Improvements. All fixtures, improvements or

equipment which are installed, constructed on or attached to the Premises or Common Area by Landlord shall be a part of the realty and belong to Landlord.

14. Default and Remedies.

14.1 Events of Default. The term "Default by Tenant" as used in this Lease shall mean the occurrence of any of the following events:

(a) Tenant's failure to pay when due any Rentals;

(b) Tenant's abandonment of the Premises;

(c) Commencement and continuation for at least thirty (30) days of any case, action or proceeding by, against or concerning Tenant under any federal or state bankruptcy, insolvency or other debtor's relief law, including without limitation, (i) a case under Title 11 of the United States Code concerning Tenant, whether under Chapter 7, 11, or 13 of such Title or under any other Chapter, or (ii) a case, action or proceeding seeking Tenant's financial reorganization or an arrangement with any of Tenant's creditors;

(d) Voluntary or involuntary appointment of a receiver, trustee, keeper, or other person who takes possession for more than thirty (30) days of substantially all of Tenant's assets or of any asset used in Tenant's business on the Premises, regardless of whether such appointment is a result of insolvency or any other cause;

(e) Execution of an assignment for the benefit of creditors of substantially all assets of Tenant available by law for the satisfaction of judgment creditors;

(f) Commencement of proceedings for winding up or dissolving (whether voluntary or involuntary) the entity of Tenant, if Tenant is a corporation or a partnership;

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(g) Levy of a writ of attachment or execution on Tenant's interest under this Lease, if such writ continues for a period of ten (10) days;

(h) Transfer or attempted Transfer of this Lease or the Premises by Tenant contrary to the provisions of Paragraph 24 below; or

(i) Breach by Tenant of any term, covenant, condition, warranty, or other provision contained in this Lease or of any other obligation owing or due to Landlord.

14.2 Remedies. Upon any Default by Tenant, Landlord shall have the following remedies, in addition to all other rights and remedies provided by law, to which Landlord may resort cumulatively, or in the alternative:

14.2.1 Termination. Upon any Default by Tenant, Landlord shall have the right (but not the obligation) to give written notice to Tenant of such default and terminate this Lease and Tenant's right to possession of the Premises if (i) such default is in the payment of Rentals and is not cured within five (5) days after any such notice, or, (ii) with respect to the defaults referred to in subparagraphs 14.1(b), (e), (f), (h) and (i), such default is not cured within thirty (30) days after any such notice (or if a default under subparagraphs 14.1(b) or (i) cannot be reasonably cured within thirty (30) days, if Tenant does not commence to cure the default within the thirty (30) day period or does not diligently and in good faith prosecute the cure to completion), or, (iii) with respect to the defaults specified in subparagraphs 14.1(c) (d) and (g), such default is not cured within the respective time periods specified in those subparagraphs. The parties agree that any written notice given by Landlord to Tenant pursuant to this Paragraph 14.2.1 shall be sufficient notice for purposes of California Code of Civil Procedure Section 1161 and Landlord shall not be required to give any additional notice in order to be entitled to commence an unlawful detainer proceeding. Upon termination of this Lease and Tenant's right to possession of the Premises, Landlord shall have the right to recover from Tenant:

(a) The worth at the time of award of the unpaid Rentals which had been earned at the time of termination;

(b) The worth at the time of award of the amount by which the Rentals which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided;

(c) The worth at the time of award (computed by discounting at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent) of the amount by which the Rentals for the balance of the Lease Term after the time of award exceed the amount of such rental loss that Tenant proves could be reasonably avoided;

(d) Any other amounts necessary to compensate Landlord for all detriment proximately caused by the Default by Tenant or which in the ordinary course of events would likely result.

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(e) The "worth at the time of award" of the amounts referred to in subparagraphs (a) and (b) of this Paragraph 14.2.1 is computed by allowing interest at an annual rate equal to the greater of: ten percent (10%); or five percent (5%) plus the rate established by the Federal Reserve Bank of San Francisco, as of the twenty-fifth (25th) day of the month immediately preceding the Default by Tenant, on advances to member banks under Sections 13 and 13(a) of the Federal Reserve Act, as now in effect or hereafter from time to time amended, not to exceed the maximum rate allowable by law.

14.2.2 Continuance of Lease. Upon any Default by Tenant and unless and until Landlord elects to terminate this Lease pursuant to Paragraph 14.2.1 above, this Lease shall continue in effect after the Default by Tenant and Landlord may enforce all its rights and remedies under this Lease, including without limitation, the right to recover payment of Rentals as they become due. Neither efforts by Landlord to mitigate damages caused by a Default by Tenant nor the acceptance of any Rentals shall constitute a waiver by Landlord of any of Landlord's rights or remedies, including the rights and remedies specified in Paragraph 14.2.1 above. The Landlord shall have the remedy described in California Civil Code Section 1951.4 (landlord may continue lease in effect after tenant's breach and abandonment and recover rent as it becomes due, if landlord has the right to sublet or assign, subject only to reasonable limitations).

15. Damage or Destruction.

15.1 Definition of Terms. For the purposes of this Lease, the term: (a) "Insured Casualty" means damage to or destruction of the Premises from a cause actually insured against, for which the insurance proceeds paid or made available to Landlord, together with the amount of deductible applicable to such insured casualty (and which deductible shall be paid by Tenant to Landlord), are sufficient to rebuild or restore the Premises under then-existing building codes to the condition existing immediately prior to the damage or destruction; and (b) "Uninsured Casualty" means damage to or destruction of the Premises from a cause not actually insured against, or from a cause actually insured against but for which the insurance proceeds paid or made available to Landlord are for any reason insufficient to rebuild or restore the Premises under then-existing building codes to the condition existing immediately prior to the damage or destruction, or from a cause actually insured against but for which the insurance proceeds are not paid or made available to Landlord within sixty (60) days of the event of damage or destruction.

15.2 Insured Casualty.

15.2.1 Rebuilding Required. In the event of an Insured Casualty where the extent of damage or destruction is less than twenty percent (20%) of the then full replacement cost of the Premises, Landlord shall rebuild or restore the Premises to the condition existing immediately prior to the damage or destruction, provided the damage or destruction was not a result of a negligent or willful act of Tenant, and that there exist no governmental codes or regulations that would interfere with Landlord's ability to so rebuild or restore.

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15.2.2 Landlord's Election. In the event of an Insured Casualty where the extent of damage or destruction is equal to or

greater than twenty percent (20%) of the then full replacement cost of the Premises, Landlord may, at its option and at its sole discretion, rebuild or restore the Premises to the condition existing immediately prior to the damage or destruction, or terminate this Lease. Landlord shall notify Tenant in writing within forty-five (45) days after the event of damage or destruction of Landlord's election to either rebuild or restore the Premises or terminate this Lease.

15.2.3 Continuance of Lease. If Landlord is required to rebuild or restore the Premises pursuant to Paragraph 15.2.1 or if Landlord elects to rebuild or restore the Premises pursuant to Paragraph 15.2.2, this Lease shall remain in effect and Tenant shall have no claim against Landlord for compensation for inconvenience or loss of business during any period of repair or restoration.

15.3 Uninsured Casualty.

15.3.1 Landlord's Election. In the event of an Uninsured Casualty, Landlord may, at its option and at its sole discretion (i) rebuild or restore the Premises as soon as reasonably possible at Landlord's expense (unless the damage or destruction was caused by a negligent or willful act of Tenant, in which event Tenant shall pay all costs of rebuilding or restoring), in which event this Lease shall continue in full force and effect or (ii) terminate this Lease, in which event Landlord shall give written notice to Tenant within forty-five (45) days after the event of damage or destruction of Landlord's election to terminate this Lease as of the date of the event of damage or destruction, and if the damage or destruction was caused by a negligent or willful act of Tenant, Tenant shall be liable therefor to Landlord.

15.3.2 Tenant's Ability to Continue Lease. If Landlord elects to terminate this Lease and the extent of damage or destruction is less than twenty percent (20%) of the then full replacement cost of the Premises or the proceeds paid or made available to Landlord are for any reason insufficient to rebuild or restore the Premises under then-existing building codes to the condition existing immediately prior to the damage or destruction, and if there exist no governmental codes or regulations that would interfere with Landlord's ability to so repair or restore, then Tenant may nevertheless cause the Lease to continue in effect by (i) notifying Landlord in writing within ten (10) days after Landlord's notice of termination of Tenant's agreement to pay all costs of rebuilding or restoring not covered by insurance, and (ii) providing Landlord with reasonable security for or assurance of such payment. Tenant shall pay to Landlord in cash no later than thirty (30) days prior to the date of commencement of construction the reasonable estimated cost of rebuilding or restoring. In the event Tenant fails to pay such cost to Landlord by the date specified, Landlord may immediately terminate the Lease and recover from Tenant all costs incurred by Landlord in preparation for construction. If the actual cost of rebuilding or restoring exceeds the estimated cost of such work, Tenant shall pay the difference to Landlord in cash upon notification by Landlord of the final cost. If the cost of rebuilding or restoring is less than the estimated cost of such work, Tenant shall be entitled to a refund of the difference upon completion of the rebuilding or restoring and determination of final cost.

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15.4 Tenant's Election. Notwithstanding anything to the contrary contained in this Paragraph 15, Tenant may elect to terminate this Lease in the event the Premises are damaged or destroyed and, in the reasonable opinion of Landlord's architect or construction consultants, the restoration of the Premises cannot be substantially completed within one hundred eighty (180) days after the event of damage or destruction. Tenant's election shall be made by written notice to Landlord within twenty (20) days after Tenant receives from Landlord the estimate of the time needed to complete repair or restoration of the Premises. If Tenant does not deliver said notice within said twenty (20) day period, Tenant may not later terminate this Lease even if substantial completion of the rebuilding or restoration occurs subsequent to said one hundred eighty (180) day period, provided that Landlord is proceeding with diligence to rebuild or restore the Premises. The preceding sentence to the contrary notwithstanding, if such rebuilding or restoration is not completed within two hundred forty (240) days following the event of damage or destruction, then Tenant shall be allowed to terminate this Lease (even if Landlord is proceeding with diligence to rebuild or restore the Premises) by delivering written notice to Landlord within twenty (20) days following such two hundred forty (240) day period. If Tenant delivers said notice within said twenty (20) day period, this Lease shall

terminate as of the date of the event of damage or destruction.

15.5 Damage or Destruction Near End of Lease Term. Notwithstanding anything to the contrary contained in this Paragraph 15, in the event the Premises are damaged or destroyed in whole or in part (regardless of the extent of damage) from any cause during the last twelve (12) months of the Lease Term, Landlord may, at Landlord's option, terminate this Lease as of the date of the event of damage or destruction by giving written notice to Tenant of Landlord's election to do so within thirty (30) days after the event of such damage or destruction. For purposes of this Paragraph 15.5, if Tenant has been granted an option to extend or renew the Lease Term pursuant to another provision of this Lease, then the damage or destruction shall be deemed to have occurred during the last twelve (12) months of the Lease Term if Tenant fails to exercise its option to extend or renew within twenty-five (25) days after the event of damage or destruction. Notwithstanding anything to the contrary contained in this Paragraph 15, in the event the Premises are damaged or destroyed in whole or in part (regardless of the extent of damage) from any cause (other than the acts, omissions, negligence or willful misconduct of Tenant or any of its agents, employees, licensees, invitees, subtenants or contractors) during the last twelve (12) months of the Lease Term and such repair or restoration cannot be completed at least six months prior to the expiration of the Lease Term, Tenant may, at Tenant's option, terminate this Lease as of the date of the event of damage or destruction by giving written notice to Landlord of Tenant's election to do so within thirty (30) days after the event of such damage or destruction.

15.6 Termination of Lease. The current Rent and Operating Expenses shall be proportionately reduced during the period following the event of damage or destruction until the date on which Tenant surrenders the Premises, based upon the extent to which the damage or destruction interferes with Tenant's business conducted in the Premises, as reasonably determined by Landlord. The proceeds of insurance carried by Tenant pursuant to Paragraph 8.2 shall be paid to Landlord and Tenant, as their interests appear.

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15.7 Abatement of Rentals. If the Premises are to be rebuilt or restored pursuant to this Paragraph 15, the then current Rent and Operating Expenses shall be proportionately reduced during the period of repair or restoration, based upon the extent to which the making of repairs interferes with Tenant's business conducted in the Premises, as reasonably determined by Landlord.

15.8 Liability for Personal Property. In no event shall Landlord have any liability for, nor shall it be required to repair or restore, any injury or damage to any Alterations to the Premises made by Tenant, trade fixtures, equipment, merchandise, furniture, or any other property installed by Tenant or at the expense of Tenant. Subject to the provisions of Paragraph 8.6 above, the immediately preceding sentence shall not relieve Landlord from liability for its negligent acts or willful misconduct. In no event, however, shall Landlord be liable for any claims by Tenant of lost profits, loss of business or lost income. If Landlord or Tenant do not elect to terminate this Lease pursuant to this Paragraph 15, Tenant shall be obligated to promptly rebuild or restore the same to the condition existing immediately prior to the damage or destruction in accordance with the provisions of Paragraph 13.1.

15.9 Waiver of Civil Code Remedies. Landlord and Tenant acknowledge that the rights and obligations of the parties upon damage or destruction of the Premises are as set forth herein; therefore Tenant hereby expressly waives any rights to terminate this Lease upon damage or destruction of the Premises, except as specifically provided by this Lease, including without limitation any rights pursuant to the provisions of subdivision 2 of Section 1932 and subdivision 4 of Section 1933 of the California Civil Code, as amended from time to time, and the provisions of any similar law hereinafter enacted, which provisions relate to the termination of the hiring of a thing upon its substantial damage or destruction.

16. Condemnation.

16.1 Definition of Terms. For the purposes of this Lease, the term: (a) "Taking" means a taking of the Premises or Common Area or damage related to the exercise of the power of eminent domain and includes, without limitation, a voluntary conveyance, in lieu of court proceedings, to any agency, authority, public utility, person or corporate entity empowered to condemn

property; (b) "Total Taking" means the Taking of the entire Premises or so much of the Premises or Common Area as to prevent or substantially impair the use thereof by Tenant for the uses herein specified; provided, however, that in no event shall the Taking of less than twenty percent (20%) of the Premises be considered a Total Taking; (c) "Partial Taking" means the Taking of only a portion of the Premises or Common Area which does not constitute a Total Taking; (d) "Date of Taking" means the date upon which the title to the Premises or Common Area or a portion thereof, passes to and vests in the condemnor or the effective date of any order for possession if issued prior to the date title vests in the condemnor; (e) "Award" means the amount of any award made, consideration paid, or damages ordered as a result of a Taking.

16.2 Rights. The parties agree that in the event of a Taking all rights between them or in and to an Award shall be as set forth herein.

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16.3 Total Taking. In the event of a Total Taking during the Lease Term: (a) the rights of Tenant under this Lease and the leasehold estate of Tenant in and to the Premises shall cease and terminate as of the Date of Taking; (b) Landlord shall refund to Tenant any prepaid Rent; (c) Tenant shall pay Landlord any Rentals due Landlord under the Lease, prorated as of the Date of Taking; (d) to the extent the Award is not payable to the beneficiary or mortgagee of a deed of trust or mortgage affecting the Premises, Tenant shall receive from the Award those portions of the Award attributable to trade fixtures of Tenant, Alterations paid by Tenant and loss of goodwill, if any; (e) the remainder of the Award shall be paid to and be the property of Landlord. Tenant reserves the right to apply separately for compensation resulting from a taking of Tenant's trade fixtures, Alterations paid by Tenant and loss of goodwill, if any. If any portion of the award received by Landlord is directly attributable to Tenant's trade fixtures, Alterations paid by Tenant or Tenant's loss of goodwill, then Landlord shall promptly pay such portion of the award attributable to such items to Tenant.

16.4 Partial Taking. In the event of a Partial Taking during the Lease Term: (a) the rights of Tenant under the Lease and the leasehold estate of Tenant in and to the portion of the Premises taken shall cease and terminate as of the Date of Taking; (b) from and after the Date of Taking the Rent shall be an amount equal to the product obtained by multiplying the then current Rent by the quotient obtained by dividing the fair market value of the Premises immediately after the Taking by the fair market value of the Premises immediately prior to the Taking; (c) to the extent the Award is not payable to the beneficiary or mortgagee of a deed of trust or mortgage affecting the Premises, Tenant shall receive from the Award the portions of the Award attributable to trade fixtures of Tenant and loss of goodwill, if any; and (d) the remainder of the Award shall be paid to and be the property of Landlord. Tenant reserves the right to apply separately for compensation resulting from a taking of Tenant's trade fixtures, Alteration paid by Tenant and loss of goodwill, if any. If any portion of the award received by Landlord is directly attributable to Tenant's trade fixtures, Alterations paid by Tenant or Tenant's loss of goodwill, then Landlord shall promptly pay such portion of the award attributable to such items to Tenant. Each party waives the provisions of California Code of Civil Procedure Section 1265.130 allowing either party to petition the Superior Court to terminate this Lease in the event of a Partial Taking.

17. Liens.

17.1 Premises to Be Free of Liens. Tenant shall pay for all labor and services performed for, and all materials used by or furnished to Tenant, Tenant's agents, or any contractor employed by Tenant with respect to the Premises. Tenant shall indemnify, defend and hold Landlord harmless from and keep the Premises and Common Area free from any liens, claims, demands, encumbrances, or judgments, including all costs, liabilities and reasonable attorneys' fees with respect thereto, created or suffered by reason of any labor or services performed for, or materials used by or furnished to Tenant or Tenant's agents or any contractor employed by Tenant with respect to the Premises. 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 and the Premises and Common Area, and any other party having an interest therein, from mechanics' and materialmen's liens,

including without limitation a notice of nonresponsibility. In the event Tenant is required to post an improvement bond with a public agency in connection with any work performed by Tenant on or to the Premises, Tenant shall include Landlord as an additional obligee.

17.2 Notice of Lien, Bond. Should any claims of lien be filed against, or any action be commenced affecting, the Premises, Tenant's interest in the Premises or the Common Area, Tenant shall give Landlord notice of such lien or action within seven (7) 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 thirty (30) 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 such means as Landlord shall deem proper, including payment of the claim giving rise to such lien or posting of a proper bond. All such sums paid by Landlord and all expenses incurred by Landlord in connection therewith, including attorneys' fees and costs, shall be payable to Landlord by Tenant as Additional Rent on demand.

18. Landlord's Right of Access to Premises. Landlord reserves and shall have the right and Tenant and Tenant's agents shall permit Landlord and Landlord's agents to enter the Premises at any reasonable time upon not less than twenty-four hours advance notice (except in the event of an emergency) for the purpose of (i) inspecting the Premises, (ii) performing Landlord's maintenance and repair responsibilities set forth herein, (iii) posting notices of non-responsibility, (iv) placing upon the Premises at any time "For Sale" signs, (v) placing on the Premises ordinary "For Lease" signs at any time within six (6) months prior to Lease Termination, or at any time Tenant is in default hereunder and the applicable cure or grace period has expired with respect to such default, or at such other times as agreed to by Landlord and Tenant, (vi) protecting the Premises in the event of an emergency, (vii) exhibiting the Premises to prospective purchasers, or lenders, and (viii) exhibiting the Premises to prospective tenants during the last six (6) months prior to Lease Termination or at any time while a Tenant default is continuing following the applicable cure or grace period. In the event of an emergency, Landlord shall have the right to use any and all means which Landlord may deem proper to gain access to the Premises. Any entry by Landlord pursuant to the provisions of this Paragraph 18 shall not unreasonably impair Tenant's access to the Premises, Tenant's parking rights under this Lease or Tenant's use of the Premises. Any entry to the Premises by Landlord or Landlord's agents in accordance with this Paragraph 18 or any other provision of 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 an eviction of Tenant from the Premises or any portion thereof nor give Tenant the right to abate the Rentals payable under this Lease. Tenant hereby waives any claims for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned by Landlord's or Landlord's agents' entry into the Premises as permitted by this Paragraph 18 or any other provision of this Lease (except if such loss or damage results from Landlord's negligence or willful misconduct). The preceding notwithstanding, under no circumstances shall Landlord be liable to Tenant for any claims of lost profits, loss of business or lost income.

19. Landlord's Right to Perform Tenant's Covenants. Except as otherwise expressly provided herein, if Tenant shall at any time fail to make any payment or perform any other act required to be made or performed by Tenant under this Lease, Landlord may upon ten (10) days written notice to Tenant, but shall not be obligated to and without waiving or releasing Tenant from any obligation under this Lease, make such payment or perform such other act to the extent that Landlord may deem desirable, and in connection therewith, pay expenses and employ counsel. All sums so paid by Landlord and all penalties, interest and costs in connection therewith shall be due and payable by Tenant as Additional Rent upon demand.

20. Lender Requirements.

20.1 Subordination. This Lease, at Landlord's option, shall be subject and subordinate to the lien of any mortgages or deeds of trust (including all advances thereunder, renewals, replacements, modifications,

supplements, consolidations, and extensions thereof) in any amount(s) whatsoever now or hereafter placed on or against or affecting the Premises and/or the real property comprising the Common Area or Landlord's interest or estate therein, without the necessity of the execution and delivery of any further instruments on the part of Tenant to effectuate such subordination. If any mortgagee or beneficiary shall elect to have this Lease prior to the lien of its mortgage or deed of trust, and shall give written notice thereof to Tenant, this Lease shall be deemed prior to such mortgage or deed of trust, whether this Lease is dated prior or subsequent to the date of such mortgage or deed of trust or the date of the recording thereof.

20.2 Subordination Agreements. Tenant shall execute and deliver without charge therefor, such further instruments evidencing subordination of this Lease to the lien of any mortgages or deeds of trust affecting the Premises and/or real property comprising the Common Area as may be required by Landlord within fifteen (15) days following Landlord's request therefor; provided that such mortgagee or beneficiary under such mortgage or deed of trust 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, and provided further than any subordination, nondisturbance agreement required by a mortgagee or beneficiary under a deed of trust shall be substantially in the form of Exhibit E attached hereto and incorporated herein by this reference, unless otherwise agreed to in writing by lender. Landlord agrees to reasonably request of its existing lender holding a security interest in the Premises that such lender execute a subordination, non-disturbance agreement in substantially the form of Exhibit E attached hereto with respect to Tenant and this Lease. This Lease and the effectiveness of the same shall not be conditioned, however, on the execution of such subordination, non-disturbance agreement by Landlord's lender.

20.3 Approval by Lenders. Tenant recognizes that the provisions of this Lease may be subject to the approval of any financial institution that may make a loan secured by a new or subsequent deed of trust or mortgage affecting the Premises and/or real property comprising the Common Area. If the financial institution should require, as a condition to such financing, any modifications of this Lease in order to protect its security interest in the Premises, including without limitation, modification of the provisions relating to damage to

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and/or condemnation of the Premises, Tenant agrees to execute the appropriate amendments; provided, however, that no modification shall substantially change the size, location or dimension of the Premises, increase the Rentals payable by Tenant hereunder or increase the obligations of Tenant hereunder.

20.4 Attornment. In the event of foreclosure or the exercise of the power of sale under any mortgage or deed of trust made by Landlord and covering the Premises and/or real property comprising the Common Area, Tenant shall attorn to the foreclosing lender and to the purchaser upon any such foreclosure or sale and recognize such lender or such purchaser as the Landlord under the Lease.

20.5 Estoppel Certificates.

(a) Delivery by Tenant. Tenant shall, within fifteen (15) days following request by Landlord therefor and without charge, execute and deliver to Landlord estoppel certificates and current financial statements of Tenant reasonably requested by Landlord in connection with the sale or financing of the Premises and/or real property comprising the Common Area, or reasonably requested by any lender making a loan affecting the Premises and/or real property comprising the Common Area. Landlord may require that Tenant deliver to Landlord and/or such lender an estoppel certificate in the form of Exhibit F attached hereto and incorporated herein by this reference. Any such estoppel certificate may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises, and/or real property comprising the Common Area.

(b) Nondelivery by Tenant. Tenant's failure to deliver an estoppel certificate as required pursuant to Paragraph 20.5(a) above shall be conclusive upon Tenant that (i) this Lease is in full force and effect, without modification except as may be represented by Landlord and has not been assigned, (ii) there are now no uncured defaults in Landlord's performance, (iii) no Rentals have been paid in advance except those that are set forth in

this Lease, (iv) the improvements to be constructed on the Premises by Landlord have been substantially completed except for punch list items which do not prevent Tenant from using the Premises for its intended use, and (v) Tenant has entered into occupancy of the Premises on such date as may be represented by Landlord and is open and conducting business at the Premises. Tenant's failure to deliver any financial statements, or estoppel certificates as required pursuant to Paragraph 20.5(a) above shall be a Default by Tenant.

21. Holding Over. This Lease shall terminate without further notice at the expiration of the Lease Term. It is the desire of Landlord either to enter into a new lease with Tenant for the Premises prior to the expiration of the Lease Term, or to have Tenant vacate the Premises pursuant to Paragraph 35 below. Therefore, any holding over by Tenant after Lease Termination shall not constitute a renewal or extension of the Lease Term, nor give Tenant any rights in or to the Premises except as expressly provided in this Lease. Any holding over after Lease Termination with the consent of Landlord shall be construed to be a tenancy from month to month, at one hundred fifty (150%) of the monthly Rent for the month preceding Lease Termination in addition to all Additional Rent payable hereunder, and shall otherwise be on the

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terms and conditions herein specified insofar as applicable. If Tenant remains in possession of the Premises after Lease Termination without Landlord's consent Tenant shall indemnify, defend and hold Landlord harmless from and against any loss, damage, expense, claim or liability resulting from Tenant's failure to surrender the Premises, including without limitation, any claims made by any succeeding tenant based on delay in the availability of the Premises.

22. Notices. Any notice required or desired to be given under this Lease shall be in writing, and all notices shall be given by personal delivery or mailing. All notices personally given on Tenant may be delivered to any person apparently in charge at the Premises, on any corporate officer or agent of Tenant (including, without limitation, the General Counsel of Tenant) if Tenant is a corporation, or on any one signatory party if more than one party signs this Lease on behalf of Tenant; any notice so given shall be binding upon all signatory parties as if served upon each such party personally. Any notice given pursuant to this Paragraph 22 shall be deemed to have been given when personally delivered, or if mailed, when seventy-two (72) hours have elapsed from the time when such notice was deposited in the United States mail, certified or registered mail and postage prepaid, addressed to the party at the last address given for purposes of notice pursuant to the provisions of this Paragraph 22. At the date of execution of this Lease, the addresses of Landlord and Tenant are set forth in Paragraph 1.11 above.

23. Attorneys' Fees. In the event either party hereto shall bring any action or legal proceeding for damages for an alleged breach of any provision of this Lease, to recover Rentals, to enforce an indemnity defense or hold harmless obligation, to terminate the tenancy of the Premises, or to enforce, protect, interpret, or establish any term, condition, or covenant of this Lease or right or remedy of either party, the prevailing party shall be entitled to recover, as a part of such action or proceeding, reasonable attorneys' fees and court costs, including attorneys' fees and costs for appeal, as may be fixed by the court or jury.

24. Assignment, Subletting and Hypothecation.

24.1 In General. Tenant shall not voluntarily sell, assign or transfer all or any part of Tenant's interest in this Lease or in the Premises or any part thereof, sublease all or any part of the Premises, or permit all or any part of the Premises to be used by any person or entity other than Tenant or Tenant's employees, except as specifically provided in this Paragraph 24.

24.2 Voluntary Assignment and Subletting.

(a) Notice to Landlord. Tenant shall, by written notice, advise Landlord of Tenant's desire on a stated date (which date shall not be less than thirty (30) days nor more than ninety (90) days after the date of Tenant's notice) to assign this Lease or to sublet all or any part of the Premises for any part of the Lease Term. Said notice shall state that the notice constitutes an offer to terminate the Lease or Tenant's interest in the portion of the Premises specified pursuant to Paragraph 24.2(b) if the notice applies to a proposed assignment of the Lease or Tenant's interest therein, a proposed

sublease of all or any part of the Premises for more than fifty percent (50%) of the remainder of the Lease Term, or a proposed sublease of more than fifty percent (50%) of the Premises for any period. Tenant's notice shall state the

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name, legal composition and address of the proposed assignee or subtenant, and Tenant shall provide the following information to Landlord with said notice: a true and complete copy of the proposed assignment agreement or sublease; a financial statement of the proposed assignee or subtenant (certified as true and correct by an officer or partner of the proposed assignee or subtenant) prepared in accordance with generally accepted accounting principles within one year prior to the proposed effective date of the assignment or sublease; the nature of the proposed assignee's or subtenant's business to be carried on in the Premises; the payments to be made or other consideration to be given on account of the assignment or sublease; a current financial statement of Tenant; and such other pertinent information as may be requested by Landlord, all in sufficient detail to enable Landlord to evaluate the proposed assignment or sublease and the prospective assignee or subtenant. Tenant's notice shall not be deemed to have been served or given until such time as Tenant has provided Landlord with all information reasonably requested by Landlord pursuant to this Paragraph 24.2. Tenant shall immediately notify Landlord of any modification to the proposed terms of such assignment or sublease. Tenant may withdraw its notice at any time prior to exercise by Landlord of Landlord's right to terminate as described in Paragraph 24.2(b).

(b) Offer to Terminate. If Tenant notifies Landlord of its desire to assign this Lease or any interest herein, to sublet all or any part of the Premises for more than fifty percent (50%) of the remainder of the Lease Term, or to sublet more than fifty percent (50%) of the Premises for any period, Tenant's notice shall constitute an offer to terminate this Lease or Tenant's interest in the portion of the Premises specified and Landlord shall have the right, to be exercised by giving written notice to Tenant within ten (10) days after receipt of Tenant's notice, to terminate the Lease (i) entirely, in the event of a proposed assignment or a sublease of the entire Premises for the remainder of the Lease Term, (ii) as to the portion of the Premises which is the subject of a proposed sublease for more than fifty percent (50%) of the remainder of the Lease Term, or (iii) as to the portion of the Premises which is the subject of a proposed sublease of more than fifty percent (50%) of the Premises for any period, as specified in Tenant's notice. For purposes of this Paragraph 24.2(b), (i) the term of a proposed sublease shall include all options to extend or renew, and (ii) a proposed sublease shall be deemed to be for the remainder of the Lease Term if the term of the proposed sublease will expire within one year prior to the end of the Lease Term. If Tenant's notice specifies all of the Premises and Landlord elects to terminate, this Lease and the obligations of Landlord and Tenant under this Lease shall terminate on the date stated in the notice given by Tenant pursuant to Paragraph 24.2(a), except that any obligations which have accrued and are unfulfilled as of such date and any obligations under this Lease that expressly survive termination of this Lease shall survive such termination. If Tenant's notice specifies less than all of the Premises and Landlord elects to terminate, this Lease and the obligations of Landlord and Tenant under this Lease shall terminate on the date stated solely with respect to that portion of the Premises specified in Tenant's notice (except that any obligations which have accrued and are unfulfilled with respect to the terminated portion of the Premises as of such date and any obligations under this Lease with respect to such terminated portion of the Premises that expressly survive termination of this Lease shall survive such termination), and Rent and all other costs and expenses payable by Tenant hereunder shall be adjusted pro rata, based upon the number of net leasable square

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feet retained by Tenant after the termination, compared to the total number of net leasable square feet in the entire Premises excluding any areas of the Premises designated in the proposed sublease for ingress and egress and common areas, if any. The Lease as so amended shall continue thereafter in full force and effect. Landlord and Tenant shall execute an amendment to this Lease specifying the new Premises, the adjusted Rent, a reasonable method for apportioning maintenance and operating obligations based on the multitenant nature of the Premises, and Tenant's share of costs and expenses; provided, however, that failure by either party to execute such an amendment shall not affect the validity of this Lease.

(c) Landlord's Consent. If Landlord does not exercise its right to terminate pursuant to Paragraph 24.2(b) within ten (10) days after receipt of Tenant's notice or if a proposed sublease is not subject to the provisions of Paragraph 24.2(b), Landlord shall not unreasonably withhold its consent to the proposed assignment or subletting, on the terms and conditions specified in said notice. If Tenant's notice fails to state that it constitutes an offer to terminate the Lease as may be required pursuant to Paragraph 24.2(a), such notice shall be deemed insufficient for the purposes of this Paragraph 24.2, and Landlord may withhold its consent to the proposed assignment or subletting in Landlord's absolute discretion. Without otherwise limiting the criteria upon which Landlord may withhold its consent to any proposed assignment or sublease, if Landlord withholds its consent where Tenant is in default at the time of the giving of Tenant's notice or at any time thereafter, such withholding of consent shall be presumptively reasonable. Landlord and Tenant agree that fifty percent (50%) of any and all rent paid by an assignee or subtenant, including, but not limited to, any rent in excess of the Rentals to be paid under this Lease (prorated in the event of a sublease of less than the entire Premises), shall be paid directly to Landlord, as Additional Rent, at the time and place specified in this Lease. For the purposes of this Paragraph 24, the term "rent" shall include any consideration of any kind received, or to be received, by Tenant from an assignee or subtenant, if such sums are related to Tenant's interest in this Lease or in the Premises, including, but not limited to key money, bonus money, and payments (in excess of the fair market value thereof) for Tenant's assets, fixtures, trade fixtures, inventory, accounts, goodwill, equipment, furniture, general intangibles, and any capital stock or other equity ownership interest of Tenant. Any assignment or subletting without Landlord's consent shall be voidable at Landlord's option, and shall constitute a Default by Tenant. Landlord's consent to any one assignment or sublease shall not constitute a waiver of the provisions of this Paragraph 24 as to any subsequent assignment or sublease nor a consent to any subsequent assignment or sublease; further, Landlord's consent to an assignment or sublease shall not release Tenant from Tenant's obligations under this Lease, and Tenant shall remain jointly and severally liable with the assignee or subtenant.

(d) Assumption of Obligations. In the event Landlord consents to any assignment, such consent shall be conditioned upon the assignee expressly assuming and agreeing to be bound by each of Tenant's covenants, agreements and obligations contained in this Lease, pursuant to a written assignment and assumption agreement in a form reasonably approved by Landlord. Landlord's consent to any assignment or sublease shall be evidenced by Landlord's signature on said assignment and assumption agreement or on said sublease or by a separate written consent. In the event Landlord consents to a proposed assignment or sublease, such assignment or sublease shall be valid and the assignee or subtenant shall have the right to

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take possession of the Premises only if an executed original of the assignment or sublease is delivered to Landlord, and such document contains the same terms and conditions as stated in Tenant's notice to Landlord given pursuant to Paragraph 24.2(a) above, except for any such modifications to which Landlord has consented in writing.

24.3 Collection of Rent. Tenant hereby irrevocably gives to and confers upon Landlord, as security for Tenant's obligations under this Lease, the right, power and authority to collect all rents from any assignee or subtenant of all or any part of the Premises as permitted by this Paragraph 24, or otherwise, and Landlord, as assignee of Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; provided, however, that until the occurrence of any Default by Tenant or except as provided by the provisions of Paragraph 24.2(c) above, Tenant shall have the right to collect such rent. Upon the occurrence of any Default by Tenant, Landlord may at any time without notice in Landlord's own name sue for or otherwise collect such rent, including rent past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, toward Tenant's obligations under this Lease. Landlord's collection of such rents shall not constitute an acceptance by Landlord of attornment by such subtenants; in the event of a Default by Tenant, Landlord shall have all rights provided by this Lease and by law, and Landlord may, upon re-entry and taking possession of the Premises, eject all parties in possession or eject some and not others, or eject none, as Landlord shall determine in Landlord's sole discretion.

24.4 No Bonus Value. It is the intent of the parties hereto that this Lease shall confer upon Tenant only the right to use and occupy the Premises, and to exercise such other rights as are conferred upon Tenant by this Lease. The parties agree that, except to the extent provided in Paragraph 24.2(c) in which Landlord agrees to split equally excess rentals paid to Tenant, this Lease is not intended to have a bonus value, nor to serve as a vehicle whereby Tenant may profit by a future assignment or sublease of this Lease or the right to use or occupy the Premises as a result of any favorable terms contained herein or any future changes in the market for leased space. It is the intent of the parties that any such bonus value that may attach to this Lease shall be and remain, subject to the provisions of Paragraph 24.2(c), the exclusive property of Landlord.

24.5 Corporations and Partnerships. If Tenant is a partnership, any withdrawal or substitution (whether voluntary, involuntary, or by operation of law and whether occurring at one time or over a period of time) of any partner(s) owning fifty percent (50%) or more (cumulatively) of the partnership, any assignment(s) of fifty percent (50%) or more (cumulatively) of any interest in the capital or profits of the partnership, or the dissolution of the partnership shall be deemed an assignment of this Lease requiring the prior written consent of Landlord. If Tenant is a corporation, any dissolution, merger, consolidation or other reorganization of Tenant, any sale or transfer (or cumulative sales or transfers) of the capital stock of Tenant in excess of fifty percent (50%), or any sale (or cumulative sales) of all of the assets of Tenant shall be deemed an assignment of this Lease requiring the prior written consent of Landlord. Any such withdrawal or substitution of partners or assignment of any interest in or dissolution of a partnership tenant, and any such sale of stock or assets of a corporate tenant

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without the prior written consent of Landlord shall be a Default by Tenant hereunder. The foregoing notwithstanding, (i) the sale or transfer of any or all of the capital stock of a corporation, the capital stock of which is now or hereafter becomes publicly traded, or (ii) the sale or transfer of this Lease to Tenant's parent company or any affiliates or subsidiaries of Tenant's parent company, or (iii) the sale or transfer of this Lease to an unaffiliated entity with whom Tenant or Tenant's parent company or any affiliates or subsidiaries of Tenant's parent company have a joint development or joint venture relationship, shall not be deemed an assignment of this Lease, shall not require the prior written consent of Landlord (but written notice of such sale or transfer shall be given by Tenant to Landlord prior to or promptly following the date of such sale or transfer), shall not give Landlord a right to recapture the Premises, or portion thereof, which is the subject of such sale or transfer, and shall not entitle Landlord to any bonus rent with respect to such sale or transfer. The parent company of Tenant and any subsidiaries of the parent company of Tenant shall be deemed "Affiliates" of Tenant.

24.6 Reasonable Provisions. Tenant expressly agrees that the provisions of this Paragraph 24 are not unreasonable standards or conditions for purposes of Section 1951.4(b)(2) of the California Civil Code, as amended from time to time, under bankruptcy laws, or for any other purpose.

24.7 Attorney's Fees. Tenant shall pay, as Additional Rent, Landlord's reasonable attorneys' fees for reviewing, investigating, processing and/or documenting any requested assignment or sublease, whether or not Landlord's consent is granted (but not to exceed \$750).

24.8 Involuntary Transfer. No interest of Tenant in this Lease shall be assignable, involuntarily or by operation of law, including, without limitation, the transfer of this Lease by testacy or intestacy. Each of the following acts shall be considered an involuntary assignment:

(a) If Tenant is or becomes bankrupt or insolvent, makes an assignment for the benefit of creditors, or a proceeding under any bankruptcy law is instituted in which Tenant is the bankrupt; or, if Tenant is a partnership or consists of more than one person or entity, if any partner of the partnership or other person or entity is or becomes bankrupt or insolvent, or makes an assignment for the benefit of creditors;

(b) Levy of a writ of attachment or execution on this Lease;

(c) Appointment of a receiver with authority to take possession of the Premises in any proceeding or action to which Tenant is a party; or

(d) Foreclosure of any lien affecting Tenant's interest in the Premises, which lien was not consented to by Landlord pursuant to Paragraph 24.9. An involuntary assignment shall constitute a Default by Tenant and Landlord shall have the right to terminate this Lease, in which case this Lease shall not be treated as an asset of Tenant. In the event the Lease is not terminated, the provisions of Paragraph 24.2(c) regarding rents paid by an assignee or subtenant and Paragraph 24.4 shall apply. If a writ of attachment or execution is levied on

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this Lease, or if any involuntary proceeding in bankruptcy is brought against Tenant or a receiver is appointed, Tenant shall have sixty (60) days in which to cause the attachment or execution to be removed, the involuntary proceeding dismissed, or the receiver removed.

24.9 Hypothecation. Tenant shall not hypothecate, mortgage or encumber Tenant's interest in this Lease or in the Premises or otherwise use this Lease as a security device in any manner without the consent of Landlord, which consent Landlord may withhold in its sole and absolute discretion. Consent by Landlord to any such hypothecation or creation of a lien or mortgage shall not constitute consent to an assignment or other transfer of this Lease following foreclosure of any permitted lien or mortgage.

24.10 Binding on Successors. The provisions of this Paragraph 24 expressly apply to all heirs, successors, sublessees, assignees and transferees of Tenant.

25. Hazardous Materials.

25.1 Permitted Materials. Notwithstanding Paragraph 6.4 of the Lease, Tenant may use, keep and store in the Premises those Hazardous Materials listed on Exhibit "C" attached hereto, and such other Hazardous Materials which may be approved by Landlord from time to time in Landlord's reasonable discretion, in such quantities and volumes as are necessary to conduct Tenant's business in the Premises ("Permitted Materials"). Permitted Materials shall be used, kept, stored, disposed of, removed, and transported in strict compliance with all laws, ordinances, regulations, rules, orders, and policies of any federal, state, county, municipal, or other governmental authority (collectively, "Governmental Authority") having jurisdiction over Hazardous Materials ("Environmental Laws"). Upon Landlord's reasonable, written request, Tenant shall provide Landlord with an updated list of all Permitted Materials used, kept, or stored in the Premises. Tenant shall promptly comply with any law, ordinance, or regulation of any Governmental Authority requiring modifications to the Premises or the improvements thereon that are intended to protect the Premises and the environment against the release of Hazardous Materials. Tenant shall obtain all necessary permits from applicable Governmental Authorities required to maintain the Permitted Materials and shall furnish Landlord, upon reasonable request by Landlord, with copies of such permits or any plans, reports or other material required to be filed with any Governmental Authority relating to the use of the Permitted Materials. Upon the expiration or sooner termination of this Lease, Tenant covenants to remove from the Premises or Common Area, at its sole cost and expense, any and all Hazardous Materials then located on or about the Premises or Common Area due to a Release of Hazardous Materials by Tenant or Tenant's agents.

Tenant and Tenant's agents shall not release or dispose, or allow the release or disposal, of any Hazardous Materials, including Permitted Materials, in, on, under, or in the vicinity of the Premises; provided, however, that Tenant shall dispose, remove and transport from the Premises and Common Area any and all Permitted Materials in accordance with all Environmental Laws. Tenant shall immediately notify Landlord of any inquiry, test, investigation, or enforcement proceeding by or against Tenant or the Premises or Common Area concerning Hazardous Materials. Tenant acknowledges that Landlord shall have the right, but not the obligation, in

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Landlord's own name, to participate in any negotiations with any Governmental Authority with regard to Tenant's Release of Hazardous Materials on the Premises or Common Area. Tenant shall, within five (5) days after receipt by Tenant, submit to Landlord copies of all inquiries, test and investigation results, and enforcement proceedings described above and copies of all reports and responses thereto prepared by or on behalf of Tenant. In connection with the transportation of any Hazardous Materials to or from the Premises, Tenant shall list itself as the transporter and generator.

25.2 Landlord's Inspection Rights. Landlord shall have the right, upon reasonable advance notice to Tenant, to inspect, investigate, sample and/or monitor the Premises and Common Area, including any soil, water, groundwater, or other sampling to the extent reasonably necessary to determine whether Tenant is complying with the terms of this Lease with respect to Hazardous Materials. In connection therewith, Tenant shall provide Landlord with reasonable access to all portions of the Premises; provided, however, that Landlord shall avoid any unreasonable interference with the operation of Tenant's business on the Premises. All costs incurred by Landlord pursuant to this subparagraph 25.2 above shall be reimbursed by Tenant to Landlord within ten (10) days after Landlord's demand for payment if it is determined that a Release of Hazardous Materials by Tenant or any of its agents, employees, contractors or tenants has occurred. If Tenant fails to perform or does not commence and thereafter diligently prosecute any obligation to be performed by Tenant under this Lease with respect to Hazardous Materials within sixty (60) days after the date of Tenant's receipt of Landlord's written notice of the obligation to be performed, Landlord shall have the right, but not the obligation, without limitation upon any of Landlord's other rights or remedies under this Lease or at law or in equity, to enter upon the Premises and perform Tenant's obligations hereunder at Tenant's expense. All sums reasonably disbursed, deposited, or incurred by Landlord in connection with the performance of such obligation, including, but not limited to, all costs, expenses, and actual attorneys' fees, shall be due and payable by Tenant to Landlord as an item of additional rent on demand by Landlord, together with interest thereon at the maximum rate allowed by law from the date of such demand until paid by Tenant.

25.3 Investigation and Remediation. If Tenant or any of its Agents Releases any Hazardous Materials in, on or under the Premises or any of the Common Areas, Tenant shall promptly commence an investigation of the extent of such Hazardous Materials contamination of the Premises and/or Common Areas. Within sixty (60) days after completion of such investigation, Tenant shall also prepare and submit to Landlord or within such period commence to prepare and thereafter diligently complete and submit to Landlord a comprehensive plan specifying the actions to be taken by Tenant to remediate the Hazardous Materials to levels permitted by applicable Environmental Laws ("Remediation Plan"). Any Remediation Plan shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld or delayed. Within thirty (30) days after Landlord's approval of the Remediation Plan, Tenant shall commence and diligently prosecute to completion all such actions necessary to remediate the Hazardous Materials in accordance with the Remediation Plan. Any and all work performed pursuant to an Investigation Plan and/or Remediation Plan shall be performed at Tenant's sole cost and expense.

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25.4 Tenant's Indemnity. Tenant shall indemnify, defend, and hold Landlord and Landlord's partners, employees, and agents harmless from and against any and all claims, actions, suits, proceedings, orders, judgments, losses, costs, damages, liabilities, or expenses (including, without limitation, attorneys' fees and costs of investigation, remediation, and/or cleanup) arising in connection with any Hazardous Materials Released by Tenant or any of Tenant's Agents in, on, under, or in the vicinity of the Premises or the Common Area, or any Hazardous Materials shipped thereto or therefrom, by Tenant or any of Tenant's Agents including, without limitation, (a) the investigation or remediation of Hazardous Materials Released by Tenant or any of Tenant's Agents in, on, or under the Premises or Common Area and the removal, transportation, and disposal of contaminated building materials, soils and/or groundwater arising from the remediation of such contamination, whether voluntary or required by any Governmental Authority; (b) ongoing monitoring of any Hazardous Materials contamination Released by Tenant or any of Tenant's Agents in, on, or under the Premises or Common Area, whether voluntary or required by any Governmental Authority; (c) the migration of any Hazardous Materials contamination Released by Tenant or any of Tenant's Agents to nearby properties,

(d) personal injury, death, or property damage arising out of the presence of the Hazardous Materials contamination Released by Tenant or any of Tenant's Agents in, on, or under the Premises or Common Area; (e) damage to or loss of use of the Premises or Common Area or the environment or diminution in value of the Premises or Common Area caused by the Release of Hazardous Materials by Tenant or any of Tenant's Agents; and (f) fines, penalties, or other assessments levied against the Premises or Common Area or Landlord as a result of the presence of the Hazardous Materials contamination caused by Tenant or any of Tenant's Agents. The foregoing indemnity shall run to the benefit of Landlord, its partners, directors, officers, employees, agents, and successors and assigns, any existing or future lender who extends credit to Landlord, or its successors and assigns, which credit is secured by a mortgage or deed of trust on the Premises, any person or entity who acquires the interest of Landlord in the Premises (except Tenant), and any person who acquires a lender's interest in the Premises, either through foreclosure, deed in lieu of foreclosure, or exercise of any rights or remedies under the documents governing a loan or extension of credit.

25.5 Assignment and Subletting. It shall be presumptively reasonable for Landlord to withhold its consent to any proposed assignment or subletting if the proposed assignee or subtenant's use of the Premises would require the storage, use, handling, generation, disposal or transportation of Hazardous Materials other than the Permitted Materials unless such assignee or subtenant submits to Landlord, prior to occupancy, a list of Permitted Materials, which list shall be subject to the reasonable approval of Landlord.

25.6 Disclosures by Landlord. Landlord discloses to Tenant that, pursuant to an Order or Orders imposed by the California Regional Water Quality Control Board, certain remedial action has been undertaken or is being undertaken in connection with certain portions of the Common Area or soils or groundwater underlying such Common Area. The terms and conditions of that certain Covenant to Restrict Use of Property executed by RREEF USA FUND-III, a California Group Trust, and the California Regional Water Quality Control Board, recorded December 30, 1991, concerning the remedial action referred to above is incorporated herein by reference. The aforementioned recorded document affects that property at 3050

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Coronado Drive and the parking lot adjacent thereto. Tenant hereby acknowledges that Landlord has delivered or made available to Tenant, without representation as to accuracy or completeness, those certain environmental reports or studies referred to in Exhibit "D" attached hereto. Landlord hereby acknowledges and agrees that Tenant shall not be liable to Landlord for the clean up or remediation of, or cost to clean up or remediate, any Hazardous Materials existing on, in or under the Premises or the Common Area as of the Commencement Date of this Lease (unless Tenant or any of its Agents caused the Release of such pre-existing Hazardous Materials and/or Tenant or any of its Agents exacerbates the pre-existing environmental condition of the Premises or the Common Area, and in such latter case, Tenant shall only be liable to the extent of damages, losses, liabilities, costs or expenses incurred by Landlord as a result of such exacerbation of such pre-existing condition).

25.7 Environmental Assessments by Lender. Tenant shall permit any lender who has made or will make a loan secured by a deed of trust or mortgage affecting the Premises and/or real property comprising the Common Area, and/or such lender's agents, employees and consultants, to enter onto the Premises and/or the real property comprising the Common Area at reasonable times and with reasonable notice to Tenant in order to perform and/or cause to perform environmental testing and/or site assessments of such property, including, without limitation, Phase II environmental assessments, to the extent permitted under the deed or trust or mortgage and/or under any other loan documents executed in connection with such deed of trust or mortgage, provided that the performance and conduct of such environmental testing assessments shall not unreasonably interfere with Tenant's possession of the Premises or otherwise impede the conduct of Tenant's operations on the Premises and/or the real property comprising the Common Area.

25.8 Survival. The provisions of this Paragraph 25 shall survive any termination of the Lease.

26. Successors. Subject to the provisions of Paragraph 24 above and Paragraph 31.2(a) below, the covenants, conditions, and agreements contained in

this Lease shall be binding on the parties hereto and on their respective heirs, successors and assigns.

27. Landlord Default; Mortgage Protection. 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. Any money judgment obtained by Tenant based upon Landlord's breach of this Lease shall be satisfied only out of the proceeds of the sale or disposition of Landlord's interest in the Premises (whether by Landlord or by execution of judgment) or the rents, issues or profits therefrom. In the event of any default on the part of Landlord under this Lease, Tenant shall give notice by registered or certified mail to any beneficiary of a deed of trust or any mortgagee of a mortgage affecting the Premises and/or the real property comprising the Common Area whose address shall have been furnished to Tenant, and shall offer such beneficiary or mortgagee a reasonable opportunity to cure the default,

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including time to obtain possession of the Premises by power of sale or judicial foreclosure, if such should prove necessary to effect a cure.

28. Exhibits. All exhibits attached to this Lease shall be deemed to be incorporated herein by the individual reference to each such exhibit, and all such exhibits shall be deemed to be a part of this Lease as though set forth in full in the body of the Lease.

29. Surrender of Lease Not 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 subtenants, or may, at the option of Landlord, operate as an assignment to Landlord of any or all such subleases or subtenants.

30. Waiver. The waiver by Landlord of any breach of any term, covenant or condition herein contained (or the acceptance by Landlord of any performance by Tenant after the time the same shall become due) shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach thereof or of any other term, covenant or condition herein contained, unless otherwise expressly agreed to by Landlord in writing. The acceptance by Landlord of any sum less than that which is required to be paid by Tenant shall be deemed to have been received only on account of the obligation for which it is paid (or for which it is allocated by Landlord, in Landlord's absolute discretion, if Tenant does not designate the obligation as to which the payment should be credited), and shall not be deemed an accord and satisfaction notwithstanding any provisions to the contrary written on any check or contained in any letter of transmittal. The acceptance by Landlord of any sum tendered by a purported assignee or transferee of Tenant shall not be deemed a consent by Landlord to any assignment or transfer of Tenant's interest herein. No custom or practice which may arise between the parties hereto in the administration of the terms of this Lease shall be construed as a waiver or diminution of Landlord's right to demand performance by Tenant in strict accordance with the terms of this Lease.

31. General.

31.1 Captions and Headings. The captions and paragraph headings used in this Lease are for convenience of reference only. They shall not be construed to limit or extend the meaning of any part of this Lease, and shall not be deemed relevant in resolving any question of interpretation or construction of any paragraph of this Lease.

31.2 Definitions.

(a) Landlord. The term Landlord as used in this Lease, so far as the covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner at the time in question of the fee title to the Premises. In the event of any transfer(s) of such interest, the Landlord herein named (and in case of any subsequent transfers or conveyances, the then grantor) shall have no further liability under this Lease to Tenant except as to matters of liability which have accrued and are unsatisfied as of the date of such transfer, it being intended that the

covenants and obligations contained in this Lease on the part of Landlord shall be binding on Landlord and its successors and assigns only during and in respect of their respective periods of ownership of the fee; provided that any funds in the possession of Landlord or the then grantor and as to which Tenant has an interest, less any deductions permitted by law or this Lease, shall be turned over to the grantee. The covenants and obligations contained in this Lease on the

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part of Landlord shall, subject to the provisions of this Paragraph 31.2(a), be binding upon each Landlord and such Landlord's heirs, personal representatives, successors and assigns only during its respective period of ownership. Except as provided in this Paragraph 31.2(a), this Lease shall not be affected by any transfer of Landlord's interest in the Premises, and Tenant shall attorn to any transferee of Landlord provided that all of Landlord's obligations hereunder are assumed in writing by such transferee.

(b) Agents. For purposes of this Lease and without otherwise affecting the definition of the word "agent" or the meaning of an "agency", the term "agents" shall be deemed to include the agents, employees, officers, directors, servants, invitees, contractors, successors, representatives subcontractors, guests, customers, suppliers, partners, affiliated companies, and any other person or entity related in any way to the respective party, Tenant or Landlord.

(c) Interpretation of Terms. The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. Words in the neuter gender include the masculine and feminine and words in the masculine or feminine gender include the neuter.

31.3 Copies. Any executed copy of this Lease shall be deemed an original for all purposes.

31.4 Time of Essence. Time is of the essence as to each and every provision in this Lease requiring performance within a specified time, except as to the conditions relating to the delivery of possession of the Premises to Tenant.

31.5 Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Lease, but this Lease shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein. However, if Tenant's obligation to pay the Rentals is determined to be invalid or unenforceable, this Lease at the option of Landlord shall terminate.

31.6 Governing Law. This Lease shall be construed and enforced in accordance with the laws of the State of California.

31.7 Joint and Several Liability. If Tenant is more than one person or entity, each such person or entity shall be jointly and severally liable for the obligations of Tenant hereunder. If Tenant is a husband and wife, the obligations hereunder shall extend to their sole and separate property as well as community property.

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31.8 Construction of Lease Provisions. Although printed provisions of this Lease were prepared by Landlord, this Lease shall not be construed either for or against Tenant or Landlord, but shall be construed in accordance with the general tenor of the language to reach a fair and equitable result.

31.9 Conditions. All agreements by Tenant contained in this Lease, whether expressed as covenants or conditions, shall be construed to be both covenants and conditions, conferring upon Landlord, in the event of a breach thereof, the right to terminate this Lease.

31.10 Tenant's Financial Statements. Tenant hereby warrants that all financial statements delivered by Tenant to Landlord are true, correct,

and complete, and prepared in accordance with generally accepted accounting principles. Tenant acknowledges and agrees that Landlord is relying on such financial statements in accepting this Lease, and that a breach of Tenant's warranty as to such financial statements shall constitute a Default by Tenant.

31.11 Withholding of Landlord's Consent Notwithstanding any other provision of this Lease, where Tenant is required to obtain the consent (whether written or oral) of Landlord to do any act, or to refrain from the performance of any act, Tenant agrees that if Tenant is in default with respect to any term, condition, covenant or provision of this Lease, then Landlord shall be deemed to have acted reasonably in withholding its consent if said consent is, in fact, withheld.

32. Signs. Tenant shall not place or permit to be placed any sign or decoration on the Common Area or the exterior of the Premises or that would be visible from the exterior of the Premises, without the prior written consent of Landlord, which consent may be withheld in Landlord's absolute discretion. In no event shall any such sign revolve, rotate, move or create the illusion of revolving, rotating or moving or be internally illuminated and there shall be no exterior spotlighting or other illumination on any such sign. Tenant, upon written notice by Landlord, shall immediately remove any of Tenant's signs or decorations that are visible from the exterior of the Premises or that Tenant has placed or permitted to be placed on the Common Area or the exterior of the Premises without the prior written consent of Landlord. If Tenant fails to so remove such sign or decoration within five (5) days after Landlord's written notice, Landlord may enter the Premises and remove such sign or decoration and Tenant shall pay Landlord, as Additional Rent upon demand, the cost of such removal. All signs placed on the Premises or Common Area by Tenant shall comply with all recorded documents affecting the Premises, including but not limited to any Declaration of Conditions, Covenants and Restrictions (as the same may be amended from time to time); and applicable statutes, ordinances, rules and regulations of governmental agencies having jurisdiction thereof. At Landlord's option, Tenant shall at Lease Termination remove any sign which it has placed on the Premises or the Common Area, and shall, at its sole cost, repair any damage caused by the installation or removal of such sign.

33. Intentionally Omitted.

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34. Landlord Not a Trustee. Landlord shall not be deemed to be a trustee of any funds paid to Landlord by Tenant (or held by Landlord for Tenant) pursuant to this Lease, including without limitation the Security Deposit. Landlord shall not be required to keep any such funds separate from Landlord's general funds. Any funds held by Landlord pursuant to this Lease shall not bear interest.

35. Interest. Any payment due from Tenant to Landlord, except for Rent received by Landlord within thirty (30) days after the same is due, shall bear interest from the date of written notice from Landlord that such payment is past due, at an annual rate equal to the greater of: ten percent (10%); or five percent (5%) plus the rate established by the Federal Reserve Bank of San Francisco, as of the twenty-fifth (25th) day of the month immediately preceding the due date, on advances to member banks under Sections 13 and 13(a) of the Federal Reserve Act, as now in effect or hereafter from time to time amended. In addition, Tenant shall pay all costs and attorneys' fees incurred by Landlord in the collection of such amounts.

36. Surrender of Premises. On the last day of the Lease Term or upon the sooner termination of this Lease, Tenant shall, to the reasonable satisfaction of Landlord, surrender the Premises to Landlord in the same condition as received (reasonable wear and tear excepted), but subject to Tenant's obligation to remove certain Alterations as provided in Paragraph 13.2 above and surrender such other Alterations with the Premises as provided in the last sentence of Paragraph 13.2. Tenant shall remove all of Tenant's personal property and trade fixtures from the Premises, and all property not so removed shall be deemed abandoned by Tenant. Furthermore, Tenant shall immediately repair all damage to the Premises and Common Area caused by any such removal. Landlord agrees to give Tenant written notice if Tenant has left any personal property in the Premises following the expiration or earlier termination of the Lease Term. If the Premises are not so surrendered at Lease Termination in the condition required by this Paragraph 36, Tenant shall indemnify, defend and hold Landlord harmless from and against any loss, damage, expense, claim or liability resulting from delay by Tenant in so surrendering the Premises including,

without limitation, any claims made by any succeeding tenant or losses to Landlord due to lost opportunities to lease to succeeding tenants.

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

38. Entire Agreement. Any agreements, warranties, or representations 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. This Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, whether written or oral, between Landlord and its agents and Tenant and its agents with respect to the Premises, Common Area or this Lease. This Lease constitutes the entire agreement between the parties hereto and no addition to, or modification of, any term or provision of this Lease shall be effective until and unless set forth in a written instrument signed by both Landlord and Tenant.

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39. Submission of Lease. Submission of this instrument for Tenant's examination or execution does not constitute a reservation of space nor an option to lease. This instrument shall not be effective until executed by both Landlord and Tenant. Execution of this Lease by Tenant shall constitute an offer by Tenant to lease the Premises, which offer shall be deemed accepted by Landlord when this Lease is executed by Landlord and delivered to Tenant.

40. Quiet Enjoyment. Landlord covenants and agrees with Tenant that upon Tenant paying Rentals and performing its covenants and conditions under the Lease, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises for the Lease Term, subject, however, to the terms of this Lease and of any mortgages or deeds of trust affecting the Premises and/or the real property comprising the Common Area, and the rights reserved by Landlord hereunder. Any purchaser upon any foreclosure or exercise of the power of sale under any mortgage or deed of trust made by Landlord and covering the Premises to whom Tenant attorns pursuant to Paragraph 20.4 above shall be bound by the terms of this Paragraph 40.

41. Authority The undersigned parties hereby warrant that they have proper authority and are empowered to execute this Lease on behalf of the Landlord and Tenant, respectively. If Tenant is a corporation (or partnership), each individual executing this Lease on behalf of said corporation (or partnership) represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the by-laws of said corporation (or on behalf of said partnership in accordance with the partnership agreement of such partnership), and that this Lease is binding upon said corporation (or partnership) in accordance with its terms. If Tenant is a corporation, Tenant shall upon execution of this Lease, deliver to Landlord a certified copy of the resolution of the Board of Directors of said corporation authorizing or ratifying the execution of this Lease or a certificate of the Secretary of the said corporation confirming the power and authority of the signatories of this Lease (on behalf of Tenant) to execute and deliver this Lease on behalf of Tenant and to bind Tenant to its terms. In the event Tenant should fail to deliver such resolution or certificate to Landlord upon execution of this Lease, Landlord shall not be deemed to have waived its right to require delivery of such resolution or certificate, and at any time during the Lease Term Landlord may request Tenant to deliver the same, and Tenant agrees it shall thereafter promptly deliver such resolution or certificate to Landlord. If Tenant is a corporation, Tenant warrants that:

(a) Tenant is a valid and existing corporation;

(b) Tenant is qualified to do business in California;

(c) All fees and all franchise and corporate taxes are paid to date, and will be paid when due;

(d) All required forms and reports will be filed when due; and

EXHIBIT D
LIST OF ENVIRONMENTAL REPORTS

NET LEASE AGREEMENT

(Single Tenant)

For and in consideration of the rentals, covenants, and conditions hereinafter set forth, Landlord hereby leases to Tenant, and Tenant hereby rents from Landlord, the herein described Premises for the term, at the rental and subject to and upon all of the terms, covenants and agreements set forth in this Net Lease Agreement ("Lease"):

1. Summary of Lease Provisions.

1.1 Tenant: Integrated Device Technology International, Inc., a California corporation ("Tenant").

1.2 Landlord: S.I. Hahn, LLC, a California limited liability company ("Landlord").

1.3 Date of Lease, for reference purposes only: December 20, 1999.

1.4 Premises: That certain building, consisting of approximately fifty thousand four hundred (50,400) rentable square feet of space, more or less, located at 3001 Coronado Drive, in the City of Santa Clara, County of Santa Clara, State of California, shown cross-hatched on the site plan attached hereto as Exhibit "A", together with certain rights appurtenant thereto. (Paragraph 2.1)

1.5 Term: Seven (7) years, unless earlier terminated in accordance with the terms of this Lease or extended pursuant to the terms of Paragraph 3.5 below. (Paragraph 3)

1.6 Commencement Date: July 1, 2000, subject to the provisions of Paragraph 3 below. (Paragraph 3)

1.7 Ending Date: June 30, 2007, subject to the provisions of Paragraph 3 below. (Paragraph 3)

1.8 Rent: (Paragraph 4)

Months Initial Lease Term	Monthly Rent NNN
-----	-----
1-12	\$78,120 (\$1.55 psf)
13-24	\$81,144 (\$1.61 psf)
25-36	\$84,168 (\$1.67 psf)
37-48	\$87,192 (\$1.73 psf)
49-60	\$90,216 (\$1.79 psf)

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61-72	\$93,240 (\$1.85 psf)
73-84	\$96,264 (\$1.91 psf)

Receipt of the first month's Rent is hereby acknowledged by Landlord.

The monthly Rent to be paid during the first year of the Extended Term (as defined below) shall be determined in accordance with the terms of Paragraph 4.4. Every twelve calendar months during the Extended Term the monthly Rent shall be increased by an additional \$0.06 per rentable square foot comprising the Premises. The first such adjustment shall occur on the first day of the thirteenth month of the Extended Term. (Paragraph 4.4)

1.9 Use of Premises: light industrial and general office use (Paragraph 6)

1.10 Security Deposit: Zero Dollars (\$0.00)

1.11 Addresses for Notices:

To Landlord:

SI Hahn LLC
c/o SIH Investment, Inc.
21580 Stevens Creek Blvd., Suite 107
Cupertino, CA. 95014
Attn: Sang Hahn

To Tenant: To the Premises, with a courtesy copy to:

Integrated Device Technology International, Inc.
2975 Stender Way
Santa Clara, CA. 95054
Attn: General Counsel

1.12 Non-exclusive Right to Use No More than one hundred eighty-four (184) parking spaces within the Common Area. (Paragraph 2.1)

1.13 Summary Provisions in General. Parenthetical references in this Paragraph 1 to other paragraphs in this Lease are for convenience of reference, and designate some of the other Lease paragraphs where applicable provisions are set forth. All of the terms and conditions of each such referenced paragraph shall be construed to be incorporated within and are made a part of each of the above referring Summary of Lease Provisions. In the event of any conflict between any Summary of Lease Provision as set forth above and the balance of the Lease, the latter shall control.

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2. Property Leased.

2.1 Premises. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, upon the terms and conditions herein set forth, that certain building ("Premises") referred to in Paragraph 1.4 above, shown cross-hatched on the site plan attached hereto as Exhibit "A". In addition, Tenant shall have the following rights with respect to the real property more particularly described in the legal description attached as Exhibit "B" hereto and excluding the buildings situated thereon ("Common Area"): (i) the non-exclusive right to use no more than the number of parking spaces set forth in Paragraph 1.12 above, within the Common Area (and not allocated for the exclusive use of another tenant of Landlord); and (ii) such other rights as are necessary and convenient to Tenant's possession of the Premises or performance of Tenant's obligations under this Lease. Landlord agrees that it will not overburden the parking areas comprising the Common Area by over-allocating the parking areas to other tenants of Landlord. In addition, Landlord grants to Tenant a non-exclusive easement for vehicular ingress and egress in and over the paved roadways in the Common Area and pedestrian ingress and egress in and over the Common Area.

Landlord reserves the right to grant to tenants of the buildings or improvements which now exist or may hereafter be constructed upon the Common Area or upon real property owned by Landlord adjacent to the Common Area, and to the agents, employees, servants, invitees, contractors, guests, employees, servants, invitees, contractors, guests, customers and representatives of such tenants or to any other user authorized by Landlord, the non-exclusive right to use the Common Area for pedestrian and vehicular ingress and egress and vehicular parking and the exclusive right to use parking spaces on the Common Area.

2.2 Replacement of HVAC Units. The parties hereto acknowledge and agree that there are five (5) HVAC units on the roof of the Building that are currently fifteen years old or older (the "Older HVAC Units"). Such Older HVAC Units are more particularly identified on the plan or list attached hereto as EXHIBIT "G" and made a part hereof. If any Older HVAC Unit fails and requires replacement or, using good business judgment, it becomes more cost effective to replace an Older HVAC Unit than to maintain or repair it, Landlord shall replace such applicable Older HVAC Unit(s) at Landlord's sole cost. The parties hereto acknowledge that there are HVAC units on the roof of the Building that Tenant is unlikely to use during the Lease Term (due to over capacity of the HVAC system servicing the Building) and it is the intention of the parties that Landlord not have to replace any HVAC units that will not be used by Tenant. Prior to the Commencement Date of the Lease, Landlord and Tenant shall enter into good faith

negotiations to attempt to agree on the HVAC units, if any, that Tenant will not be using during the Lease Term, and Landlord shall have the right, at Landlord's sole cost, and following not less than forty-eight hours prior notice to Tenant, to remove any such HVAC units that Tenants agree will not be used by Tenant during the Lease Term.

2.3 Acceptance of Premises. By taking possession of the Premises, Tenant shall be deemed to have accepted the Premises as being in good and sanitary order, condition and repair and to have accepted the Premises in their condition existing as of the date Tenant

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takes possession of the Premises, subject to all applicable laws, covenants, conditions, restrictions, easements and other matters of public record and the rules and regulations from time to time promulgated by Landlord governing the use of the Premises and Common Area, and further, to have accepted tenant improvements to be constructed by Landlord (if any) as being completed in accordance with the plans and specifications for such improvements, subject only to completion of items on Landlord's punch list. Prior to the Commencement Date, Landlord and Tenant shall complete a walk-through of the Premises and Landlord and Tenant shall agree on a punch list of any items (except HVAC units, the replacement of which shall be governed by the terms of Paragraph 2.2 above) within the Premises that are in need or repair or maintenance. Landlord agrees to repair or maintain such items that are on the agreed upon punch list, at Landlord's sole cost, within thirty (30) days following the Commencement Date (except that if such punch list items cannot reasonably be repaired or maintained with such thirty (30) day period, then Landlord shall commence such repair or maintenance of the punch list items within such thirty day period and diligently prosecute the same to completion). The preceding notwithstanding, Tenant does not waive any claims of latent defects that may exist in the Premises as of the Commencement Date, however, Landlord shall be under no obligation to repair any latent defect in the Premises existing as of the Commencement Date unless Tenant gives Landlord written notice of such defect prior to the date six months following the Commencement Date. Tenant acknowledges that, except as set forth in the following sentence, neither Landlord nor Landlord's agents have made any representation or warranty as to the suitability of the Premises for the conduct of Tenant's business, the condition of the Premises, or the use or occupancy which may be made thereof and Tenant has independently investigated and is satisfied that the Premises are suitable for Tenant's intended use and that the Premises meets all governmental requirements for such intended use. Landlord hereby represents to Tenant that, to Landlord's actual knowledge, the Premises are not in violation of any law, rule, regulation or ordinance applicable to the Premises.

The preceding paragraph notwithstanding, the parties hereto acknowledge that Landlord intends to undertake some seismic upgrades of the Premises in the future. As of the date of execution of this Lease, no plans or specifications for such seismic upgrades have been prepared, nor has Landlord determined the specific time or times when it may undertake such seismic upgrades. Any seismic upgrades performed by Landlord with respect to the Premises shall not unreasonably interfere with Tenant's use of the Premises. To Landlord's knowledge, such seismic upgrades contemplated to be performed by Landlord are not required to be performed to bring the Premises into compliance with applicable building codes or laws, and instead Landlord may elect to perform such seismic upgrades to further reduce its earthquake insurance premiums and to improve Landlord's ability to obtain financing or refinancing secured by the Premises. Landlord agrees that, if seismic upgrade of the Premises is required to bring the Premises into compliance with building codes applicable to the Premises at the time the Premises were initially constructed, then Landlord shall be responsible for such seismic upgrades and Tenant shall not be obligated to bear portion of the cost of such seismic upgrades.

If Tenant desires to construct or install, or cause to be constructed or installed, any alterations, additions or improvements to the Premises and, in connection with the same, seismic upgrades or structural reinforcement of the Premises, or portion thereof, are required

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and are directly and physically related to the alterations, additions or

improvements to be constructed or installed, or caused to be constructed or installed, by Tenant, then Tenant shall bear one hundred percent (100%) of the cost of the seismic upgrades or structural reinforcement of the Premises so required. Except as provided in the immediately preceding sentence, Tenant shall not be obligated to pay for any seismic upgrades or structural reinforcement of the Premises, or any portion thereof. If Tenant applies to a governmental agency for approval of, or issuance of a building permit in connection with, any proposed alteration, addition, or improvement to the Premises, or any portion thereof, and such governmental agency requires Tenant to undertake a seismic upgrade or structural reinforcement of the Premises, or any portion thereof, in connection with such proposed alteration, addition or improvement, then Tenant shall not be obligated to pay for the cost of such seismic upgrade or structural reinforcement unless the same is directly and physically related to the alteration, addition or improvement proposed to be undertaken by Tenant.

3. Term.

3.1 Commencement Date. The term of this Lease ("Lease Term") shall be for the period specified in Paragraph 1.5 above, commencing on the date set forth in Paragraph 1.6 ("Commencement Date"). The expiration of the Lease Term or sooner termination of this Lease is referred to herein as the "Lease Termination".

3.2 Delay of Commencement Date. Landlord shall not be liable for any damage or loss incurred by Tenant for Landlord's failure for whatever cause to deliver possession of the Premises by any particular date (including the Commencement Date), nor shall this Lease be void or voidable on account of such failure to deliver possession of the Premises; provided that if Landlord does not deliver possession of the Premises to Tenant by the date which is ninety (90) days following the date the Commencement Date of this Lease, Tenant shall have the right to terminate this Lease by written notice delivered to Landlord within ten (10) days thereafter, and Landlord and Tenant shall be relieved of their respective obligations hereunder. If the Commencement Date is delayed beyond the date set forth in Paragraph 1.6 above (i.e. July 1, 2000) because Landlord is not able to deliver possession of the Premises to Tenant on or before such date, then (i) Tenant shall not be obligated to pay Rent under this Lease until possession of the Premises is delivered to Tenant, (ii) the Commencement Date shall be extended to the date Landlord delivers possession of the Premises to Tenant (but in no event shall such Commencement Date be extended later than six months from July 1, 2000), and (iii) all dates that are keyed off of the Commencement Date (such as the Ending Date) shall be extended by the same number of days as the Commencement Date is extended.

3.3 Early Occupancy. Landlord hereby agrees that Tenant may enter the Premises prior to the Commencement Date (but only after the existing tenant or lessee has vacated the Premises) to install its phone and other communication systems therein, to fixturize and perform general clean up of the Premises, and to otherwise conduct Tenant's business in the Premises, and in the event Tenant so enters the Premises prior to the Commencement Date, Tenant shall do so subject to all the terms and conditions hereof except that Tenant shall not be

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obligated to pay Rentals provided for herein during such early occupancy period. Tenant shall be obligated to commence paying Rentals as of the Commencement Date of the Lease.

3.4 Intentionally Omitted.

3.5 Option to Extend Term. Landlord hereby grants to Tenant one (1) option to extend the initial Lease Term for a period of three (3) years (the "Extended Term"), on the following terms and conditions:

(a) Tenant shall give Landlord written notice of its exercise of the option to extend the Lease Term no earlier than nine months nor later than six (6) months before the date the Lease Term would end but for said exercise. Time is of the essence.

(b) Tenant may not extend the Lease Term pursuant to this Paragraph 3.5 if Tenant is in material default of any of its obligations under this Lease as of the date of Tenant's notice of exercise of the option (and such default has not been cured within the cure or grace period, if any,

applicable to such default), or if Tenant shall have assigned or otherwise transferred its interest in this Lease and/or the Premises, whether or not Landlord's consent to such assignment or transfer has been given, to any third party other than an Affiliate of Tenant (as described in Paragraph 24.5 below). If Tenant is in default under this Lease on the date that the applicable Extended Term is to commence, then Landlord may elect to terminate this Lease, notwithstanding any notice given by Tenant of an exercise of its option to extend and such exercise of Tenant's option to extend the Lease Term shall be void and of no force or effect.

(c) All terms and conditions of this Lease shall apply during the Extended Term, except that the monthly base Rent for the Extended Term shall be determined in accordance with Paragraph 4.4 below, Tenant shall have no further options to extend the Lease Term beyond the Extended Term described in this Paragraph 3.5 and Landlord shall have no obligation to construct or install any tenant improvements in the Premises for the benefit of the Tenant.

(d) Once Tenant delivers notice of its exercise of the option to extend the Lease Term, Tenant may not withdraw such exercise and, subject to the provisions of this Paragraph 3.5, such notice shall operate to extend the Lease Term. The preceding to the contrary notwithstanding, if the Rent payable during the Extended Term is determined pursuant to Paragraph 4.4(b) below, and Tenant objects to the amount of such Rent as determined pursuant to such Paragraph 4.4(b), then Tenant may elect to rescind its extension notice by delivering to Landlord, within ten (10) days following the date Tenant is informed of the amount of Rent determined pursuant to Paragraph 4.4(b), (i) written notice of rescission, and (ii) an amount equal to the sum of (1) an amount equal to the appraisal costs paid or incurred by Landlord pursuant to the provisions of Paragraph 4.4(b) below, plus (2) the product obtained by multiplying (x) the monthly base Rent determined pursuant to Paragraph 4.4(b), by (y) six (6) (such sum being hereinafter referred to as the "Rescission Fee"). In the event such rescission notice is timely given and payment of such Rescission Fee is timely made, then the Lease Term shall expire on the date the Lease Term would otherwise have expired had Tenant not exercised its option to

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extend the Lease Term. Time is of the essence with respect to the delivery of the rescission notice and Rescission Fee. If Tenant does not deliver such rescission notice and Rescission Fee to Landlord within the ten (10) day period referred to above, then Tenant shall be deemed to have waived its right to rescind the extension notice. Upon the extension of the Lease Term pursuant to this Paragraph 3.5, the term "Term" as used in this Lease shall thereafter include the Extended Term and the Ending Date of this Lease shall be the expiration date of the Extended Term unless sooner terminated pursuant to the terms hereof.

4. Rent.

4.1 Rent. Tenant shall pay to Landlord as rent for the Premises ("Rent"), in advance, on the first day of each calendar month, commencing on the date specified in Paragraph 1.6 and continuing throughout the Lease Term, the Rent set forth in Paragraph 1.8 above. Rent and Operating Expenses shall be prorated, based on thirty (30) days per month, for any partial month during the Lease Term. Rent and Operating Expenses shall be payable without deduction, offset, prior notice or demand in lawful money of the United States to Landlord at the address herein specified for purposes of notice or to such other persons or such other places as Landlord may designate in writing.

4.2 Late Charge. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent will cause Landlord to incur costs not contemplated by this Lease, 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 Landlord by the terms of any mortgage or deed of trust covering the Premises. Accordingly, Tenant shall pay to Landlord, as Additional Rent (as defined in Paragraph 4.3 below), without the necessity of prior notice or demand, a late charge equal to five percent (5%) of any installment of Rent which is not received by Landlord within ten (10) days after the due date for such installment. The preceding to the contrary notwithstanding, Landlord agrees that, with respect to the first late payment of Rent by Tenant in any twelve month period, Tenant shall not be obligated to pay a late charge on such delinquent Rent unless Tenant fails or refuses to pay such Rent within five (5) business days following receipt of

written notice to Tenant. Except with respect to the first delinquency in the payment of Rent in a twelve month period, Landlord shall not be obligated to give Tenant notice of delinquent Rent prior to imposing a late charge on such delinquent Rent. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any installment of Rent or prevent Landlord from exercising any right or remedy available to Landlord upon Tenant's failure to pay such installment of Rent when due, including without limitation the right to terminate this Lease. In the event any installment of Rent is not received by Landlord by the thirtieth (30th) day after the due date for such installment, such installment shall bear interest at the annual rate set forth in Paragraph 35 below, commencing on the thirty-first (31st) day after the due date for such installment and continuing until such installment is paid in full.

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4.3 Additional Rent. All taxes, charges, costs and expenses and other sums which Tenant is required to pay hereunder (together with all interest and charges that may accrue thereon in the event of Tenant's failure to pay the same), and all damages, costs and expenses which Landlord may incur by reason of any Default by Tenant shall be deemed to be additional rent hereunder ("Additional Rent"). Additional Rent shall accrue commencing on the Commencement Date. In the event of nonpayment by Tenant of any Additional Rent, Landlord shall have all the rights and remedies with respect thereto as Landlord has for the nonpayment of Rent. The term "Rentals" as used in this Lease shall mean Rent and Additional Rent.

4.4 Rent During Extended Term. If Tenant elects to extend the Lease Term pursuant to Paragraph 3.5 above, the monthly base Rent for the first year of the Extended Term shall be in an amount equal to ninety-five percent (95%) of the fair market rental value of the Premises in relation to market conditions at the time of the commencement of the Extended Term (including, but not limited to, rental rates for comparable space with comparable tenant improvements in Santa Clara County as of the commencement of the Extended Term and taking into consideration any adjustments to rent based upon direct costs (operating expenses) and taxes, load factors, and/or cost of living or other rental adjustments; the relative strength of the tenants; the size of the space; and any other factors which affect market rental values at the time of the commencement of the Extended Term); however, the monthly base Rent during the first year of the Extended Term shall in no event be lower than Seventy-eight Thousand One Hundred Twenty Dollars (\$78,120) (NNN) per month.

(a) Mutual Agreement. After timely receipt by Landlord of Tenant's notice of exercise of the option to extend the Lease Term, but not sooner than the date which is nine (9) months prior to the expiration of the initial Lease Term, Landlord and Tenant shall have a period of fifteen (15) days in which to agree on the monthly base Rent to be paid during the first year of the Extended Term. If Landlord and Tenant agree on said monthly base Rent during that period, they shall immediately execute an amendment to this Lease stating the monthly base Rent for the first year of the Extended Term. If Landlord and Tenant are unable to agree on the monthly base Rent for the first year of the Extended Term as aforesaid, then the provisions of Subparagraph (b) below shall apply.

(b) Appraisal. Within ten (10) days after the expiration of the fifteen (15) day period described in Subparagraph (a) above, each party at its cost and by giving notice to the other party, shall appoint an M.A.I. real estate appraiser, with at least seven (7) years full-time commercial appraisal experience in Santa Clara County, to appraise and set the fair market rental value of the Premises. If a party does not appoint an appraiser within ten (10) days after the other party has given notice of the name of its appraiser, the single appraiser appointed shall be the sole appraiser and shall set the fair market rental value. The cost of such sole appraiser shall be borne equally by the parties. If two appraisers are appointed by the parties as provided in this Subparagraph (b), the two appraisers shall meet promptly in an attempt to set the fair market rental value. If they are unable to agree within twenty (20) days after the last appraiser has been appointed, then the two appraisers shall attempt to select a third appraiser meeting the qualifications stated in this Subparagraph (b) within ten (10) days after the last day the two appraisers are given to set the fair market rental value. If they are unable to agree on the third appraiser, either of the

parties to this Lease, by giving ten (10) days notice to the other party, may apply to the presiding judge of the Superior Court of Santa Clara County for the selection of a third appraiser who meets the qualifications stated above. Each of the parties shall bear one-half of the cost of appointing the third appraiser and of paying the third appraiser's fee. The third appraiser, however selected, shall be a person who has not previously acted in any capacity for either party. Within twenty (20) days after the selection of the third appraiser, the majority of the appraisers shall set the fair market rental value. If the majority of the appraisers are unable to set the fair market rental value within said twenty (20) day period, the three appraisals shall be added together and the total divided by three (3); the resulting quotient shall be the fair market rental value and shall be deemed incorporated herein; provided, however, that if any appraisal differs from the median appraisal by an amount equal to more than ten percent (10%) of such median appraisal, that appraisal shall be disregarded, and the average of the remaining appraisals (or the remaining appraisal) shall be the fair market rental value. In establishing the fair market rental value, the appraiser or appraisers shall consider the factors referred to in above in this Subparagraph (b), without regard to the existence of this Lease but taking into consideration the triple net nature of this Lease. The appraiser shall have the right to include adjustments to the monthly base Rent during the Extended Term as part of the fair market rental value of the Premises.

Every twelve calendar months during the Extended Term the monthly base Rent shall be increased by an additional \$0.06 per rentable square foot comprising the Premises. The first such adjustment shall occur on the first day of the thirteenth month of the Extended Term.

5. Intentionally Omitted.

6. Use of Premises.

6.1 Permitted Uses. Tenant shall use the Premises and the Common Area only in conformance with applicable Laws for the purposes set forth in Paragraph 1.9 above, and for no other purpose without the prior written consent of Landlord, which consent Landlord may withhold in its sole discretion. Any change in use of the Premises or the Common Area without the prior written consent of Landlord shall be a Default by Tenant. Tenant and Tenant's agents shall comply with the provisions of any Declaration of Covenants, Conditions, and Restrictions affecting the Premises and the Common Area.

6.2 Tenant to Comply with Legal Requirements. Tenant shall, at its sole cost (except as otherwise expressly provided in this Lease), promptly comply with all Laws relating to or affecting the use, occupational safety, occupancy or condition of the Premises or the Common Area, now in force, or which may hereafter be in force, including without limitation those relating to utility usage and load or number of permissible occupants or users of the Premises, whether or not the same are now contemplated by the parties; with the provisions of all recorded documents affecting the Premises or the Common Area insofar as the same relate to or affect the use, occupational safety, occupancy, or condition of the Premises or the Common Area; and with the requirements of any board of fire underwriters (or similar body now or hereafter constituted) relating to or affecting the use, occupational safety, occupancy or condition of the Premises or the Common Area. Tenant's obligations pursuant to this

Paragraph 6.2 shall include without limitation maintaining or restoring the Premises and making structural and non-structural alterations and additions in compliance and conformity with all Laws and recorded documents relating to the use, occupational safety, occupancy or condition of the Premises during the Lease Term. At Landlord's option, Landlord may make the required alteration, addition or change, and Tenant shall pay the cost thereof as Additional Rent. If any portion of the Premises or Common Area is not in compliance with Laws as of the Commencement Date of this Lease, then Tenant shall not be responsible for bringing the Premises or Common Area into compliance, nor shall Tenant be obligated to pay any money to bring the Premises or Common Area into compliance. With respect to any structural alterations or additions as may be hereafter required due to a change in Laws and unrelated to (i) Tenant's specific use of the Premises or the Common Area, (ii) Tenant's alterations, additions or

improvements to the Premises, or (iii) Tenant's acts or omissions, Tenant shall be required to pay the amortized cost of such structural alteration or addition, which amount shall be determined as follows: (a) all costs paid by Landlord to construct such alteration or addition (including financing costs) shall be fully amortized over the useful life of such alteration or addition (as determined by Landlord in good faith) with interest on the unamortized balance at the prevailing market rate Landlord would pay if it borrowed funds to construct such alteration or addition from an institutional lender, and (b) as Additional Rent, Tenant shall pay the entire monthly amortized payment with respect to such structural alteration or addition. Tenant's obligation to make payments under the immediately preceding sentence with respect to any structural alteration or addition that is required due to a change in Laws and unrelated to (i) Tenant's specific use of the Premises or Common Area, (ii) Tenant's alterations, additions or improvements to the Premises, or (iii) Tenant's acts or omissions, shall commence when such alteration or addition has been substantially completed and shall cease upon the earlier of the expiration of the Lease Term (but not upon a termination due to any Default on the part of Tenant) or the end of the term over which the costs of constructing the particular alteration or addition were amortized. Payments of such Additional Rent shall be made concurrently with payments of Base Rent. Tenant shall pay 100% of the cost of any structural alteration or addition that is required due to a change in Laws and related to (i) Tenant's specific use of the Premises or Common Area, (ii) Tenant's alterations, additions or improvements to the Premises, and (iii) Tenant's acts or omissions. Tenant shall obtain prior to the Commencement Date any permits, licenses or other authorizations required for the lawful operation of its business at the Premises. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant, regardless of whether Landlord is a party thereto or not, that Tenant has violated such Law or recorded document relating to the use, occupational safety, occupancy or condition of the Premises or the Common Area shall be conclusive of the fact of such violation by Tenant. Any alterations or additions undertaken by Tenant pursuant to this Paragraph 6.2 shall be subject to the requirements of Paragraph 13.1 below.

6.3 Prohibited Uses. Tenant and Tenant's agents shall not commit or suffer to be committed any waste upon the Premises. Tenant and Tenant's agents shall not do or permit anything to be done in or about the Premises or Common Area which will in any way obstruct or interfere with the rights of any authorized users of the Common Area, or injure or annoy them. Tenant shall not conduct or permit any auction or sale open to the public to be held or conducted on or about the Premises or Common Area. Tenant and Tenant's agents shall not use

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or allow the Premises to be used for any unlawful or hazardous purpose or any purpose not permitted by this Lease, nor shall Tenant or Tenant's agents cause, maintain, or permit any nuisance in, on or about the Premises. Tenant and Tenant's agents shall not do or permit anything to be done in or about the Premises or Common Area nor bring or keep anything in the Premises or Common Area which will in any way increase the rate of any insurance upon the Premises or Common Area or any part thereof or any of its contents, or cause a cancellation of any insurance policy covering the Premises or Common Area or any part thereof or any of its contents, nor shall Tenant or Tenant's agents 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. In the event the rate of any insurance upon the Premises or Common Area or any part thereof or any of its contents is increased because of the acts or omissions of Tenant or Tenant's agents, Tenant shall pay, as Additional Rent, the full cost of such increase to the extent attributable solely to Tenant's or its agents' acts or omissions; provided however this provision shall in no event be deemed to constitute a waiver of Landlord's rights or remedies in connection with such increase. Tenant and Tenant's agents shall not place any loads upon the floor, walls or ceiling of the Premises which would endanger the Premises or the structural elements thereof, nor place any harmful liquids in the drainage system of the Premises. No waste materials or refuse shall be dumped upon or permitted to remain upon any part of the Premises or Common Area except in enclosed trash containers. No materials, supplies, equipment, finished products (or semi-finished products), raw materials, or other articles of any nature shall be stored upon, or be permitted to remain on, any portion of the Common Area.

Tenant shall not allow any activity which in the reasonable opinion of

Landlord is detrimental to the operation of the Common Area or to tenants of Landlord in other buildings located on the Common Area or upon real property owned by Landlord adjacent to the Common Area, including but not limited to any picketing, work stoppage, or other concerted activity. Landlord shall have the right to require Tenant, at Tenant's own expense and within a reasonable period of time, to use Tenant's commercially reasonable efforts to terminate or control any such picketing, work stoppage or other concerted activity to the extent necessary to eliminate any interference with the operation of the Common Area or such tenants. Failure by Tenant to use its commercially reasonable efforts to do so shall be a Default by Tenant. Nothing contained in this paragraph shall be construed as placing Landlord in an employer-employee relationship with any of Tenant's employees or with any other employees who may be involved in such activity.

6.4 Hazardous Materials. Neither Tenant nor Tenant's agents shall permit the introduction, placement, use, storage, manufacture, transportation, release or disposition (collectively "Release") of any Hazardous Material(s) (defined below) on or about any portion of the Premises or Common Area without the prior written consent of Landlord, which consent may be withheld in the sole and absolute discretion of Landlord without any requirement of reasonableness in the exercise of that discretion. Notwithstanding the immediately preceding sentence to the contrary, Tenant may use de minimis quantities of the types of materials which are technically classified as Hazardous Materials but commonly used in domestic or office use to the extent not in an amount, which, either individually or cumulatively, would be a "reportable quantity" under any applicable Law. Tenant covenants that, at its sole cost and

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expense, Tenant will comply with all applicable Laws with respect to the Release of such permitted Hazardous Materials. Any Release beyond the scope allowed in this paragraph shall be subject to Landlord's prior consent, which may be withheld in Landlord's sole and absolute discretion, and shall require an amendment to the Lease in the event Landlord does consent which shall set forth the materials, scope of use, indemnification and any other matter required by Landlord in Landlord's sole and absolute discretion. Tenant shall indemnify, defend and hold Landlord and Landlord's agents harmless from and against any and all claims, losses, damages, liabilities, or expenses arising in connection with the Release of Hazardous Materials by Tenant, Tenant's agents or any other person using the Premises during the Term of this Lease or during the term of Tenant's prior lease of the Premises. Tenant's obligation to defend, hold harmless and indemnify pursuant to this Paragraph 6 4 shall survive Lease Termination.

As used in this Lease, the term "Hazardous Materials" means any chemical, substance, waste or material which has been or is hereafter determined by any federal, state or local governmental authority to be capable of posing risk of injury to health or safety, including without limitation, those substances included within the definitions of "hazardous substances," "hazardous materials," "toxic substances," or "solid waste" under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Resource Conservation and Recovery Act of 1976, and the Hazardous Materials Transportation Act, as amended, and in the regulations promulgated pursuant to said laws; those substances defined as "hazardous wastes" in section 25117 of the California Health & Safety Code, or as "hazardous substances" in section 25316 of the California Health & Safety Code, as amended, and in the regulations promulgated pursuant to said laws; those substances listed in the United States Department of Transportation Table (49 CFR 172.101 and amendments thereto) or designated by the Environmental Protection Agency (or any successor agency) as hazardous substances (see, e.g., 40 CFR Part 302 and amendments thereto); such other substances, materials and wastes which are or become regulated or become classified as hazardous or toxic under any Laws, including without limitation the California Health & Safety Code, Division 20, and Title 26 of the California Code of Regulations; and any material, waste or substance which is (i) petroleum, (ii) asbestos, (iii) polychlorinated biphenyls, (iv) designated as a "hazardous substance" pursuant to section 311 of the Clean Water Act of 1977, 33 U.S.C. sections 1251 et seq. (33 U.S.C. ` 1321) or listed pursuant to section 307 of the Clean Water Act of 1977 (33 U.S.C. ` 1317), as amended; (v) flammable explosives; (vi) radioactive materials; or (vii) radon gas.

7. Taxes.

7.1 Personal Property Taxes. Tenant shall cause Tenant's trade fixtures, equipment, furnishings, furniture, merchandise, inventory, machinery, appliances and other personal property installed or located on the Premises (collectively the "personal property") to be assessed and billed separately from the Premises. Tenant shall pay before delinquency any and all taxes, assessments and public charges levied, assessed or imposed upon or against Tenant's personal property. If any of Tenant's personal property shall be assessed with the real property comprising the Common Area or with the Premises, Tenant shall pay to Landlord, as Additional Rent, the amounts attributable to Tenant's personal property within ten (10) days after receipt of a written statement from Landlord setting forth the amount of such taxes,

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assessments and public charges attributable to Tenant's personal property. Tenant shall comply with the provisions of any Law which requires Tenant to file a report of Tenant's personal property located on the Premises.

7.2 Other Taxes Payable Separately by Tenant. Tenant shall pay, prior to delinquency, all privilege, sales, excise, use, business, occupation, or other taxes, assessments, license fees or charges levied, assessed or imposed upon Tenant's business operations conducted at the Premises.

7.3 Common Taxes.

(a) Definition of Taxes. The term "Taxes" as used in this Lease shall collectively mean (to the extent any of the following are not paid by Tenant pursuant to Paragraphs 7.1 and 7.2 above) all real estate taxes and general and special assessments (including, but not limited to, assessments for public improvements or benefit); personal property taxes; taxes based on vehicles utilizing parking areas on the Common Area; taxes computed or based on rental income or on the square footage of the Premises (including without limitation any municipal business tax but excluding federal, state and municipal net income taxes); taxes upon, allocable to, or measured by the area of the Premises or the Rentals payable hereunder, including without limitation any gross income, gross receipts, excise, or other tax levied by the state, any political subdivision thereof, city or federal government with respect to the receipt of such Rentals (but excluding federal, state and municipal net income taxes); taxes upon or with respect to the use, possession, occupancy, leasing, operation and management of the Premises or any portion thereof; taxes upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises; taxes imposed as a means of controlling or abating environmental pollution or the use of energy or any natural resource (including without limitation gas, electricity or water), including, without limitation, any parking taxes, levies or charges or vehicular regulations imposed by any governmental agency; environmental surcharges; excise taxes; gross receipts taxes; sales and/or use taxes; employee taxes; water and sewer taxes, levies, assessments and other charges in the nature of taxes or assessments (including, but not limited to, assessments for public improvements or benefit); and all other governmental, quasi-governmental or special district impositions of any kind and nature whatsoever (excluding utility hook-up fees); regardless of whether any of the foregoing are now customary or within the contemplation of the parties hereto and regardless of whether resulting from increased rate and/or valuation, or whether extraordinary or ordinary, general or special, unforeseen or foreseen, or similar or dissimilar to any of the foregoing and which during the Lease Term are laid, levied, assessed or imposed upon Landlord and/or become a lien upon or chargeable against the Premises and/or Common Area under or by virtue of any present or future laws, statutes, ordinances, regulations, or other requirements of any governmental, quasi-governmental or special district authority whatsoever. The term "Taxes" shall not include reimbursement to Landlord of Landlord's net income taxes, succession, transfer, gift, franchise, estate or inheritance taxes, but shall include any increases in taxes based upon any change of ownership of the Premises or Common Area. The term "environmental surcharges" shall include any and all expenses, taxes, charges or penalties imposed by the Federal Department of Energy, Federal Environmental Protection Agency, the Federal Clean

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Air Act, or any regulations promulgated thereunder, or imposed by any other local, state or federal governmental agency or entity now or hereafter vested

with the power to impose taxes, assessments or other types of surcharges as a means of controlling or abating environmental pollution or the use of energy or any natural resource in regard to the use, operation or occupancy of the Premises and/or the Common Area. The term "Taxes" shall include (to the extent the same are not paid by Tenant pursuant to Paragraphs 7.1 and 7.2 above), without limitation, all taxes, assessments, levies, fees, impositions or charges levied, imposed, assessed, measured, or based in any manner whatsoever upon or with respect to the use, possession, occupancy, leasing, operation or management of the Premises and/or Common Area or in lieu of or equivalent to any Taxes set forth in this Paragraph 7.3(a). In the event any such Taxes are payable by Landlord and it shall not be lawful for Tenant to reimburse Landlord for such Taxes, then the Rentals payable hereunder shall be increased to net Landlord the same net Rental after imposition of any such Tax upon Landlord as would have been payable to Landlord prior to the imposition of any such Tax.

(b) Operating Expenses. All Taxes which are levied or assessed or which become a lien upon the Premises and/or Common Area or which become due or accrue during the Lease Term shall be an Operating Expense, and Tenant shall pay as Additional Rent each month during the Lease Term 1/12th of such Taxes, based on Landlord's estimate thereof, pursuant to Paragraph 12 below. Taxes during any partial tax fiscal year(s) within the Lease Term shall be prorated according to the ratio which the number of days during the Lease Term or of actual occupancy of the Premises by Tenant, whichever is greater, during such year bears to 365.

8. Insurance; Indemnity; Waiver.

8.1 Insurance by Landlord.

(a) Landlord shall, during the Lease Term, procure and keep in force the following insurance, the cost of which shall be an Operating Expense (subject to the limitation on earthquake insurance premium pass-throughs as provided below), payable by Tenant pursuant to Paragraph 12 below:

(i) Property Insurance. "All risk" property insurance, including, without limitation, coverage for boiler and machinery (if applicable); sprinkler damage; vandalism; malicious mischief; full coverage plate glass insurance; and demolition, increased cost of construction and contingent liability from change in building laws on the Premises and Common Area, including any improvements or fixtures constructed or installed on the Premises and Common Area by Landlord. Such insurance shall be in the full amount of the replacement cost of the foregoing, with reasonable deductible amounts, which deductible amounts shall be an Operating Expense, payable by Tenant pursuant to Paragraph 12. Such insurance shall also include rental income insurance, insuring that one hundred percent (100%) of the Rentals (as the same may be adjusted hereunder) will be paid to Landlord for a period of up to twelve (12) months if the Premises are destroyed or damaged, or such longer period as may be required by any beneficiary of a deed of trust or any mortgagee of any mortgage

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affecting the Premises. Such "all risk" insurance may, at Landlord's election, include coverage for earthquake and/or flood. Landlord agrees that the annual earthquake insurance premium to be included as an Operating Expense (and allocable solely to the Premises) shall not exceed Eight Thousand Eight Hundred Fifty-seven and 65/100 Dollars (\$8,857.65) per year, as such \$8,857.65 shall be increased by five percent (5%) per year during the Lease Term, including, the Extended Term. Such property insurance maintained by Landlord shall not cover any leasehold improvements installed in the Premises by Tenant at its expense, or Tenant's equipment, trade fixtures inventory, fixtures or personal property located on or in the Premises;

(ii) Liability Insurance. Comprehensive general liability (lessor's risk) insurance against any and all claims for personal injury, death or property damage occurring in or about the Premises or Common Area. Such insurance shall have a combined single limit of not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate; and

(iii) Other. Such other insurance as Landlord deems reasonably necessary and prudent (as long as available at

commercially reasonable premiums).

8.2 Insurance by Tenant. Tenant shall, during the Lease Term, at Tenant's sole cost and expense, procure and keep in force the following insurance:

(a) Personal Property Insurance. "All risk" property insurance, including, without limitation, coverage for boiler and machinery (if applicable); sprinkler damage; vandalism; malicious mischief; and demolition, increased cost of construction and contingent liability from changes in building laws on all leasehold improvements installed in the Premises by Tenant at its expense (if any) and on all equipment, trade fixtures, inventory, fixtures and personal property located on or in the Premises, including improvements or fixtures hereinafter constructed or installed on the Premises. Such insurance shall be in an amount equal to the full replacement cost of the aggregate of the foregoing and shall provide coverage comparable to the coverage in the standard ISO all risk form, when such form is supplemented with the coverages required above.

(b) Liability Insurance. Comprehensive general liability insurance for the mutual benefit of Landlord and Tenant, against any and all claims for personal injury, death or property damage occurring in or about the Premises and Common Area, or arising out of Tenant's or Tenant's agents' use of the Common Area, use or occupancy of the Premises or Tenant's operations on the Premises. Such insurance shall have a combined single limit of not less than Three Million Dollars (\$3,000,000) per occurrence and Five Million Dollars (\$5,000,000) aggregate. Such insurance shall contain a cross-liability (severability of interests) clause and an extended ("broad form") liability endorsement, including blanket contractual coverage. The minimum limits specified above are the minimum amounts required by Landlord, and may be revised by Landlord from time to time to meet changed circumstances, including without limitation to reflect (i) changes in the purchasing power of the dollar, (ii) changes indicated by the amount of plaintiffs' verdicts in personal injury actions in the State of California, or (iii) changes consistent with the standards required by other landlords in the

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county in which the Premises are located. Such liability insurance shall be primary and not contributing to any insurance available to Landlord, and Landlord's insurance (if any) shall be in excess thereto. Such insurance shall specifically insure Tenant's performance of the indemnity, defense and hold harmless agreements contained in Paragraph 8.4, although Tenant's obligations pursuant to Paragraph 8.4 shall not be limited to the amount of any insurance required of or carried by Tenant under this Paragraph 8.2(b). Tenant shall be responsible for insuring that the amount of insurance maintained by Tenant is sufficient for Tenant's purposes.

(c) Other. Such other insurance as required by law, including, without limitation, workers' compensation insurance.

(d) Form of the Policies. The policies required to be maintained by Tenant pursuant to Paragraphs 8.2(a), (b), and (c) above shall be with companies, on forms, with deductible amounts (if any), and loss payable clauses satisfactory to Landlord, shall include Landlord and the beneficiary or mortgagee of any deed of trust or mortgage encumbering the Premises and/or the real property comprising the Common Area as additional insureds, and shall provide that such parties may, although additional insureds recover for any loss suffered by Tenant's negligence. Certified copies of policies or certificates of insurance shall be delivered to Landlord prior to the Commencement Date: a new policy or certificate shall be delivered to Landlord at least thirty (30) days prior to the expiration date of the old policy. Tenant shall have the right to provide insurance coverage which it is obligated to carry pursuant to the terms hereof in a blanket policy, provided such blanket policy expressly affords coverage to the Premises and to Tenant as required by this Lease. Tenant shall obtain a written obligation on the part of Tenant's insurer(s) to notify Landlord and any beneficiary or mortgagee of a deed of trust or mortgage encumbering the Premises and/or the real property comprising the Common Area in writing of any delinquency in premium payments and at least thirty (30) days prior to any cancellation or modification of any policy. Tenant's policies shall provide coverage on an occurrence basis and not on a claims made basis. In no event shall the limits of any policies maintained by Tenant be considered as limiting the liability of Tenant under this Lease.

8.3 Failure by Tenant to Obtain Insurance. If Tenant does not take out the insurance required pursuant to Paragraph 8.2 or keep the same in full force and effect, Landlord may, but shall not be obligated to, take out the necessary insurance and pay the premium therefor, and Tenant shall repay to Landlord, as Additional Rent, the amount so paid promptly upon demand. In addition, Landlord may recover from Tenant and Tenant agrees to pay, as Additional Rent, any and all reasonable expenses (including attorneys' fees) and damages which Landlord may sustain by reason of the failure of Tenant to obtain and maintain such insurance, it being expressly declared that the expenses and damages of Landlord shall not be limited to the amount of the premiums thereon.

8.4 Indemnification Tenant shall indemnify, hold harmless, and defend Landlord (except to the extent of the negligence or willful misconduct of Landlord or Landlord's agents, employees or contractors) against all claims, losses, damages, actions, causes of action, penalties, demands, expenses or liabilities for injury or death to any person or for damage to or loss of use of any property arising out of any occurrence in, on or about the

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Premises or Common Area, if and to the extent caused or contributed to by Tenant or Tenant's agents, employees or contractors or arising out of any occurrence in, upon or at the Premises or on account of the use, condition, occupational safety or occupancy of the Premises. Tenant's indemnification, defense and hold harmless obligations under this Lease shall include and apply to attorneys' fees, investigation costs, and other costs actually incurred by Landlord. Tenant shall further indemnify, defend and hold harmless Landlord from and against any and all claims, losses, damages, liabilities or expenses arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease. The provisions of this Paragraph 8.4 shall survive Lease Termination with respect to any damage, injury, death, breach or default occurring prior to such termination. This Lease is made on the express condition that Landlord shall not be liable (in the absence of the negligence or willful misconduct of Landlord or Landlord's agents, employees or contractors) for, or suffer loss by reason of, injury to person or property, from whatever cause, in any way connected with the condition, use, occupational safety or occupancy of the Premises specifically including, without limitation, any liability for injury to the person or property of Tenant or Tenant's agents. Anything in this Lease to the contrary notwithstanding, under no circumstances shall Landlord be liable to Tenant for any claims of lost profits, loss of business or lost income.

8.5 Claims by Tenant. Landlord shall not be liable to Tenant, and Tenant waives all claims against Landlord, for injury or death to any person, damage to any property, or loss of use of any property in the Premises or Common Area by and from all causes, including without limitation, any defect in the Premises or Common Area and/or any damage or injury resulting from fire, steam, electricity, gas, water or rain, which may leak or flow from or into any part of the Premises, or from breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, whether the damage or injury results from conditions arising upon the Premises or Common Area or from other sources. Landlord shall not be liable for any damages arising from any act or neglect of any other user of the Common Area. Tenant or Tenant's agents shall immediately notify Landlord in writing of any known defect in the Premises or Common Area. The provisions of this Paragraph 8.5 shall not apply to any damages, claims, losses, actions, causes of action, penalties, demands, expenses, liabilities or injuries caused by the negligence or willful misconduct of Landlord's agents, employees or contractors; provided, however, under no circumstances shall Landlord be liable to Tenant for claims of lost profits, loss of business or lost income.

8.6 Mutual Waiver of Subrogation. Landlord hereby releases Tenant, and Tenant hereby releases Landlord, and their respective officers, agents, employees and servants, from any and all claims or demands of damages, loss, expense or injury to the Premises or the Common Area, or to the furnishings, fixtures, equipment, inventory or other property of either Landlord or Tenant in, about or upon the Premises or the Common Area, which is caused by or results from perils, events or happenings which are the subject of insurance carried by the respective parties pursuant to this Paragraph 8 and in force at the time of any such loss, whether due to the negligence of the other party or its agents and regardless of cause or origin; provided, however, that such waiver shall be effective only to the extent permitted by the insurance

covering such loss, to the extent such insurance is not prejudiced thereby, and to the extent insured against.

9. Utilities. Landlord agrees to provide, at its cost, water, electricity and telephone service connections into the Premises; but Tenant shall pay during the Lease Term and prior to delinquency all charges for water, gas, light, heat, power, electricity, telephone or other communication service, janitorial service, trash pick-up, sewer and all other services supplied to or consumed on the Premises (collectively the "Services") and all taxes, levies, fees or surcharges therefor. Tenant shall arrange for Services to be supplied to the Premises and shall contract for all of the Services in Tenant's name prior to the Commencement Date. The Commencement Date shall not be delayed by reason of any failure by Tenant to so contract for Services. In the event that any of the Services cannot be separately billed or metered to the Premises, or if any of the Services are not separately metered as of the Commencement Date, the cost of such Services shall be an Operating Expense and Tenant shall pay such cost to Landlord, as Additional Rent, as provided in Paragraph 12 below, except that Tenant's proportionate share of such Services shall be the percentage obtained by dividing the gross leasable square footage contained in the Premises by the total gross leasable square footage located in all buildings utilizing such Services. The lack or shortage of any Services due to any cause whatsoever shall not affect any obligation of Tenant hereunder, and Tenant shall faithfully keep and observe all the terms, conditions and covenants of this Lease and pay all Rentals due hereunder, all without diminution, credit or deduction. The immediately preceding sentence to the contrary notwithstanding, Landlord agrees that if Services are curtailed or suspended to the Premises as a result of the acts or negligence or willful misconduct of Landlord for a period of forty-eight (48) consecutive hours during the Lease Term, then Tenant's Rent payable hereunder shall be equitably abated to the extent such curtailment or suspension of Services interferes with Tenant's use of the Premises (as reasonably determined by Landlord and Tenant) following such forty-eight (48) hour period until such Services are restored.

10. Repairs and Maintenance.

10.1 Landlord's Responsibilities. Subject to the provisions of Paragraph 15 below, Landlord shall maintain in reasonably good order and repair the structural roof and roof surface, structural (i.e. load bearing) and exterior walls (including painting thereof) and foundations of the Premises, except for any repairs required because of the wrongful act of Tenant or Tenant's agents, which repairs shall be made at the expense of Tenant and as Additional Rent. Tenant shall give prompt written notice to Landlord of any known maintenance work required to be made by Landlord pursuant to this Paragraph 10.1. The costs of repairs and maintenance which are the obligation of Landlord hereunder shall be an Operating Expense and Tenant shall pay such costs to Landlord as Additional Rent, as provided in Paragraph 12 below.

To the extent any labor dispute in which Tenant is involved or of which Tenant is the object interferes with the performance of Landlord's duties hereunder, Landlord shall be excused from the performance of such duties and Tenant hereby waives any and all claims against Landlord for damages or losses in regard to such duties.

10.2 Tenant's Responsibilities. Except as expressly provided in Paragraph 10.1 above, Tenant shall, at its sole cost, maintain the entire Premises and every part thereof, including without limitation, windows, skylights, window frames, plate glass, freight docks, doors and related hardware, interior walls and partitions, and the electrical, plumbing, lighting, heating and air conditioning systems in good order, condition and repair. Tenant shall deliver to Landlord, every six (6) months during the Lease Term, a certificate of maintenance or its equivalent, signed by a licensed HVAC repair and maintenance contractor and stating that the heating and air conditioning systems servicing the Premises have been inspected, serviced and are in good order, condition and repair. Tenant's failure to deliver said certificate or its equivalent within thirty (30) days following written notice from Landlord that said certificate is past due shall be a Default by Tenant. If Tenant fails to make repairs or perform maintenance work required of Tenant hereunder within

fifteen (15) days after notice from Landlord specifying the need for such repairs or maintenance work, Landlord or Landlord's agents may, in addition to all other rights and remedies available hereunder or by law and without waiving any alternative remedies, enter into the Premises and make such repairs and/or perform such maintenance work. If Landlord makes such repairs and/or performs such maintenance work, Tenant shall reimburse Landlord upon demand and as Additional Rent, for the cost of such repairs and/or maintenance work. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant or Tenant's agents as a result of Landlord performing any such repairs or maintenance (unless such damage, inconvenience or interference is caused by the gross negligence or willful misconduct of Landlord or its agents, employees or contractors); provided, however, under no circumstances shall Landlord be liable to Tenant for claims of lost profits, loss of business or lost income. Tenant shall reimburse Landlord, on demand and as Additional Rent, for the cost of damage to the Premises and/or Common Area caused by Tenant or Tenant's agents, employees or contractors. Tenant expressly waives the benefits of any statute now or hereafter in effect (including without limitation the provisions of subsection 1 of Section 1932, Section 1941 and Section 1942 of the California Civil Code and any similar law, statute or ordinance now or hereafter in effect) which would otherwise afford Tenant the right to make repairs at Landlord's expense (or to deduct the cost of such repairs from Rentals due hereunder) or to terminate this Lease because of Landlord's failure to keep the Premises in good and sanitary order.

11. Common Area.

11.1 In General. Subject to the terms and conditions of this Lease and such rules and regulations as Landlord may from time to time prescribe, Tenant and Tenant's agents shall have the nonexclusive right to use during the Lease Term the access roads, sidewalks, landscaped areas and other facilities on the Common Area. This right to use the Common Area shall terminate upon Lease Termination. Neither Tenant nor Tenant's agents shall at any time park or permit the parking of their vehicles in any portion of the Common Area not designated by Landlord as a parking area.

Landlord reserves the right from time to time to make changes in the shape, size, location, amount and extent of the Common Area. Landlord further reserves the right to promulgate such

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reasonable rules and regulations relating to the use of all or any portion of the Common Area and to amend such rules and regulations from time to time, with or without advance notice, as Landlord may deem appropriate. Any amendments to the rules and regulations shall be effective as to Tenant, and binding on Tenant, upon delivery of a copy of such rules and regulations to Tenant. Landlord agrees to apply such rules and regulations, and all amendments thereto, in a non-discriminatory manner. Tenant and Tenant's agents shall observe such rules and regulations and any failure by Tenant or Tenant's agents to observe and comply with the rules and regulations shall be a Default by Tenant. Landlord shall not be responsible for the nonperformance of the rules and regulations by any tenants or occupants of the buildings or improvements which now exist or may hereafter be constructed upon the Common Area or upon the real property owned by Landlord adjacent to the Common Area or by any other user authorized by Landlord.

Landlord furthermore reserves the right, after having given Tenant reasonable notice, to have any vehicles owned by Tenant or Tenant's agents which are parked in violation of the provisions of this Paragraph 11.1 or in violation of Landlord's rules and regulations relating to parking, to be towed away at the expense of the owner of the vehicle so towed.

Landlord shall have the right to close, at reasonable times, all or any portion of the Common Area for any reasonable purpose, including without limitation, the prevention of a dedication thereof, or the accrual of rights of any person or public therein; however, such closure of the Common Area shall not unreasonably impair Tenant's access to the Premises, Tenant's parking rights as described in this Lease or Tenant's use of the Premises.

11.2 Maintenance by Landlord. Landlord shall operate, manage and maintain the Common Area in good condition and repair and shall manage or cause to be managed the Common Area to reasonable and customary standards. The cost of such maintenance, operation and management, shall be an "Operating

Expense", and Tenant shall pay such costs to Landlord, as Additional Rent, as provided in Paragraph 12 below.

12. Operating Expenses.

12.1 Definition. "Operating Expense" or "Operating Expenses" as used in this Lease shall mean and include all items identified in other paragraphs of this Lease as an Operating Expense and the total reasonable cost paid or incurred by Landlord for the operation, maintenance, repair, and management of the Premises and Common Area, which costs shall include, without limitation: the cost of Services and utilities supplied to the Premises and Common Area (to the extent the same are not separately charged or metered to Tenant); water; sewage; fuel; electricity; lighting systems; professional management fee (not to exceed four percent (4%) of the Premises' gross rental income); fire protection systems; storm drainage and sanitary sewer systems; HVAC including air conditioning (to the extent the heating and air conditioning systems in the Premises are not maintained by Tenant at Tenant's sole cost and expense); repairing the roof structure and roof surface; maintenance and repair of the structural parts of the Premises (including foundation, floor slab and load bearing walls); property and liability insurance covering the Premises and any other insurance carried by Landlord pursuant

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to Paragraph 8 above; cleaning, sweeping, striping, resurfacing of parking and driveway areas; cleaning the Common Area following storms or other severe weather; cleaning and repairing of sidewalks, curbs, stairways; costs related to irrigation systems; the cost of complying with Laws, including, without limitation, maintenance, alterations and repairs required in connection therewith; the cost of capital improvements made to the Common Area amortized over the useful life of such capital improvements (with interest on the unamortized balance at the prevailing market rate Landlord would pay if it borrowed funds to construct such improvements from an institutional lender); costs related to landscape maintenance; and the cost of contesting the validity or applicability of any governmental enactments which may affect Operating Expenses. Because the Common Area is used by more than one (1) building during the Lease Term, the term "Operating Expenses" shall mean and include all of the Operating Expenses allocable to the Premises and a proportionate share (based on the square footage of gross leasable area in the Premises as a percentage of the total of square footage of gross leasable area of the buildings utilizing the Common Area at the time in question) of all Operating Expenses which are related to such buildings in general and are not allocated to any one building utilizing the Common Area. As of the date of execution of this Lease, the percentage that the square footage of gross leasable area in the Premises bears to the total square footage of gross leasable area of the buildings utilizing the Common Area is twenty-two and fourteen hundredths percent (22.14%). Operating Expenses shall also include an accounting and administrative fee equal to three percent (3%) of the total Operating Expenses (excluding Taxes and insurance premiums). The specific examples of Operating Expenses stated in this Paragraph 12.1 are in no way intended to and shall not limit the costs comprising Operating Expenses, nor shall such examples be deemed to obligate Landlord to incur such costs or to provide such services or to take such actions except as Landlord may be expressly required in other portions of this Lease, or except as Landlord, in its sole discretion, may elect. All costs incurred by Landlord in good faith for the operation, maintenance, repair and management of the Premises and Common Area shall be deemed conclusively binding on Tenant.

12.1.1 Operating Expense Exclusions. Notwithstanding anything to the contrary contained in this Lease, in no event shall Tenant have any obligation to perform, to pay directly, or to reimburse Landlord for, all or any portion of the following repairs, maintenance, improvements, replacements, premiums, claims, losses, fees, commissions, charges, disbursements, attorneys' fees, experts' fees, costs and expenses (collectively, "Costs"):

(a) Losses Caused by Others and Construction Defects. Costs occasioned by the act, omission or violation of Law by Landlord or its agents, employees or contractors, or costs arising out of the failure to construct the Building, Premises, tenant improvements installed by Landlord in the Premises, if any, or Common Areas in accordance with Laws and private restrictions applicable at the time of construction thereof.

(b) Condemnation and Insurance Costs. Costs occasioned by the exercise of the power of eminent domain, or increases in

insurance Costs caused by the activities of other tenants of buildings in the Coronado Stender Project.

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(c) Reimbursable Expenses. Costs for which Landlord has a right of reimbursement from others, or Costs which Tenant pays directly to a third person.

(d) Reserves. Depreciation, amortization or other expense reserves.

(e) Mortgages. Interest, charges and fees incurred on debt, payments or mortgages and rent under ground leases.

(f) Hazardous Materials. Costs incurred to investigate the presence of any Hazardous Material, Costs to respond to any claim of Hazardous Material contamination or damage, Costs to remove any Hazardous Material from the Premises or Common Area or to remediate any Hazardous Material contamination, and any judgments or other Costs incurred in connection with any Hazardous Material exposure or release, except to the extent such Costs are incurred by Landlord in accordance with Paragraph 6.4 or incurred by Landlord or caused by reason of the storage, use or disposal of the Hazardous Material in question by Tenant, its agents, employees, contractors or invitees.

(g) Management. Any fee, profit or compensation retained by Landlord or its affiliates for management and administration of the Premises or Common Area in excess of the management fee and accounting fee specified in Paragraph 12.1 above.

(h) Violations. The cost of correcting any code violations that occurred prior to the Commencement Date of the Lease Term.

(i) Benefits. Wages, salaries or other compensation paid to any executive employees above the grade of building manager.

12.2 Payment of Operating Expenses by Tenant. Tenant shall pay the Operating Expenses to Landlord as Additional Rent and without deduction or offset. Upon reasonable written request made by Tenant to Landlord, Landlord shall provide Tenant with copies of invoices supporting the charges of Operating Expenses; however, Tenant shall pay for the reasonable costs incurred by Landlord in making copies of such invoices and the failure of Landlord, if applicable, to timely furnish copies of such invoices to Tenant shall not excuse or relieve Tenant of its obligation to pay Operating Expenses in accordance with the terms of this Lease. Tenant's payment of Operating Expenses shall be based upon Landlord's estimate of Operating Expenses and shall be payable in equal monthly installments in advance on the first day of each calendar month commencing with the month following receipt of Landlord's estimate (and subject to Landlord's right to change the method of payment or right to change Landlord's estimate not more often than once in any calendar year). Within one hundred twenty (120) days after the end of each calendar year (or at Lease Termination), or as soon thereafter as practicable under the circumstances, Landlord shall furnish Tenant a statement showing the actual Operating Expenses for the period to which Landlord's estimate pertains and shall concurrently either bill Tenant for the balance due (payable upon demand by Landlord) or credit Tenant's account for the excess previously paid (except if such statement applies to the last year

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of the Lease Term and Tenant has overpaid its share of Operating Expenses for such last year of the Lease Term, then Tenant shall be paid the amount of such overpayment in cash following such reconciliation of Operating Expenses in lieu of a credit to Tenant's account).

Notwithstanding anything to the contrary contained in this Lease, within one hundred eighty (180) days after receipt by Tenant of Landlord's statement of Operating Expenses prepared pursuant to Paragraph 12.2 hereof for any prior annual period during the Lease Term, Tenant or its authorized representative shall have the right to inspect the books of Landlord during the business hours of Landlord at Landlord's office or, at Landlord's option, such

other location as Landlord reasonably may specify, for the purpose of verifying the information contained in the statement. Unless Tenant asserts specific errors within one hundred eighty (180) days after receipt of the statement, the statement shall be deemed correct as between Landlord and Tenant, except as to individual components subsequently determined to be in error by future audit.

13. Alterations.

13.1 In General. Tenant shall not make, or permit to be made, any alterations, changes, enlargements, improvements or additions (collectively "Alterations") in, on, about or to the Premises, or any part thereof, including Alterations required pursuant to Paragraph 6.2, without the prior written consent of Landlord and without acquiring and complying with the conditions of all permits required for such Alterations by any governmental authority having jurisdiction thereof. The term "Alterations" as used in this Paragraph 13 shall also include all heating, lighting, electrical (including all wiring, conduit, outlets, drops, buss ducts, main and subpanels), air conditioning, and partitioning in the Premises made by Tenant, regardless of how affixed to the Premises. The preceding to the contrary notwithstanding, Tenant shall be permitted, without first obtaining Landlord's consent but upon giving prior written notice to Landlord, to make non-structural Alterations to the Premises during the Lease Term provided (i) the cost of making such non-structural Alterations do not exceed \$10,000 individually or \$50,000 in the aggregate in any lease year during the Lease Term, (ii) such non-structural Alterations do not affect the structural integrity of the Premises or any of the building systems, such as HVAC, mechanical, electrical or plumbing systems within the building comprising the Premises, and (iii) such non-structural Alterations are not visible from the exterior of the Premises. As a condition to the giving of its consent to any Alterations (for which Landlord's consent is required hereunder), Landlord may impose such requirements as Landlord may deem necessary in its sole discretion, including without limitation, the manner in which the work is done; a right of approval of the contractor by whom the work is to be performed; the requirement that Tenant post a completion bond in an amount and form satisfactory to Landlord; and the requirement that Tenant reimburse Landlord, as Additional Rent, for Landlord's actual costs incurred in reviewing any proposed Alteration, whether or not Landlord's consent is granted. All Alterations made by Tenant shall be made at Tenant's sole cost and expense, in accordance with the plans and specifications approved by Landlord. Tenant shall give written notice to Landlord five (5) days prior to employing any laborer or contractor to perform services related to, or receiving materials for use upon the Premises, and prior to the commencement of any work of improvement on the Premises. Any Alterations to the Premises made by Tenant

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shall be made in accordance with applicable Laws and in a good and workmanlike manner. In making any such Alterations, Tenant shall, at Tenant's sole cost and expense, file for and secure and comply with any and all permits or approvals required by any governmental departments or authorities having jurisdiction thereof and any utility company having an interest therein. In no event shall Tenant make any structural changes to the Premises or make any changes to the Premises which would weaken or impair the structural integrity of the Premises.

13.2 Removal Upon Lease Termination. At the time Tenant requests Landlord's consent, Tenant shall request a decision from Landlord in writing as to whether Landlord will require Tenant, at Tenant's expense, to remove any such Alterations and restore the Premises to their prior condition at Lease Termination. In the event Tenant fails to earlier obtain Landlord's written decision as to whether Tenant will be required to remove any Alteration (or in the event Landlord's consent to any Alterations is not required as provided in Paragraph 13.1 above), then no less than ninety (90) nor more than one hundred twenty (120) days prior to the expiration of the Lease Term, Tenant by written notice to Landlord shall request Landlord to inform Tenant whether or not Landlord desires to have any Alterations made to the Premises by Tenant removed at Lease Termination. Following receipt of such notice or following Tenant's earlier request for a decision as to whether Tenant's Alterations, or any of them, will be required to be removed by Tenant, Landlord may elect to have all or a portion of Tenant's Alterations removed from the Premises at Lease Termination, and Tenant shall, at its sole cost and expense, remove at Lease Termination such Alterations designated by Landlord for removal and repair all damage to the Premises and Common Area arising from such removal. In the event Tenant fails to so request Landlord's decision or fails to remove any Alterations designated by Landlord for removal, Landlord may remove any

Alterations made to the Premises by Tenant and repair all damage to the Premises and Common Area arising from such removal, and may recover from Tenant all costs and expenses incurred thereby. Tenant's obligation to pay such costs and expenses to Landlord shall survive Lease Termination (except Landlord shall be deemed to have waived its right to receive such costs and expenses if Landlord has not requested or demanded payment of such costs or expenses from Tenant by written notice to Tenant delivered within one hundred eighty days following Lease Termination). Unless Landlord elects to have Tenant remove (or, upon Tenant's failure to obtain Landlord's decision, Landlord removes) any such Alterations, all such Alterations, except for moveable furniture and trade fixtures of Tenant not affixed to the Premises, shall become the property of Landlord upon Lease Termination (without any payment therefor) and remain upon and be surrendered with the Premises at Lease Termination.

13.3 Landlord's Improvements. All fixtures, improvements or equipment which are installed, constructed on or attached to the Premises or Common Area by Landlord shall be a part of the realty and belong to Landlord.

14. Default and Remedies.

14.1 Events of Default. The term "Default by Tenant" as used in this Lease shall mean the occurrence of any of the following events:

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(a) Tenant's failure to pay when due any Rentals;

(b) Tenant's abandonment of the Premises;

(c) Commencement and continuation for at least thirty (30) days of any case, action or proceeding by, against or concerning Tenant under any federal or state bankruptcy, insolvency or other debtor's relief law, including without limitation, (i) a case under Title 11 of the United States Code concerning Tenant, whether under Chapter 7, 11, or 13 of such Title or under any other Chapter, or (ii) a case, action or proceeding seeking Tenant's financial reorganization or an arrangement with any of Tenant's creditors;

(d) Voluntary or involuntary appointment of a receiver, trustee, keeper, or other person who takes possession for more than thirty (30) days of substantially all of Tenant's assets or of any asset used in Tenant's business on the Premises, regardless of whether such appointment is as a result of insolvency or any other cause;

(e) Execution of an assignment for the benefit of creditors of substantially all assets of Tenant available by law for the satisfaction of judgment creditors;

(f) Commencement of proceedings for winding up or dissolving (whether voluntary or involuntary) the entity of Tenant, if Tenant is a corporation or a partnership;

(g) Levy of a writ of attachment or execution on Tenant's interest under this Lease, if such writ continues for a period of ten (10) days;

(h) Transfer or attempted Transfer of this Lease or the Premises by Tenant contrary to the provisions of Paragraph 24 below; or

(i) Breach by Tenant of any term, covenant, condition, warranty, or other provision contained in this Lease or of any other obligation owing or due to Landlord.

14.2 Remedies. Upon any Default by Tenant, Landlord shall have the following remedies, in addition to all other rights and remedies provided by law, to which Landlord may resort cumulatively, or in the alternative:

14.2.1 Termination. Upon any Default by Tenant, Landlord shall have the right (but not the obligation) to give written notice to Tenant of such default and terminate this Lease and Tenant's right to possession of the Premises if (i) such default is in the payment of Rentals and is not cured within five (5) days after any such notice, or, (ii) with respect to the defaults referred to in subparagraphs 14.1(b), (e), (f), (h) and (i), such default is not cured within thirty (30) days after any such notice (or if a default under subparagraphs 14.1(b) or (i) cannot be reasonably cured within

thirty (30) days, if Tenant does not commence to cure the default within the thirty (30) day period or does not diligently and in good faith prosecute the cure to completion), or, (iii) with respect to the defaults specified in subparagraphs 14.1(c) (d) and (g),

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such default is not cured within the respective time periods specified in those subparagraphs. The parties agree that any written notice given by Landlord to Tenant pursuant to this Paragraph 14.2.1 shall be sufficient notice for purposes of California Code of Civil Procedure Section 1161 and Landlord shall not be required to give any additional notice in order to be entitled to commence an unlawful detainer proceeding. Upon termination of this Lease and Tenant's right to possession of the Premises, Landlord shall have the right to recover from Tenant:

(a) The worth at the time of award of the unpaid Rentals which had been earned at the time of termination;

(b) The worth at the time of award of the amount by which the Rentals which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided;

(c) The worth at the time of award (computed by discounting at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent) of the amount by which the Rentals for the balance of the Lease Term after the time of award exceed the amount of such rental loss that Tenant proves could be reasonably avoided;

(d) Any other amounts necessary to compensate Landlord for all detriment proximately caused by the Default by Tenant or which in the ordinary course of events would likely result.

(e) The "worth at the time of award" of the amounts referred to in subparagraphs (a) and (b) of this Paragraph 14.2.1 is computed by allowing interest at an annual rate equal to the greater of: ten percent (10%); or five percent (5%) plus the rate established by the Federal Reserve Bank of San Francisco, as of the twenty-fifth (25th) day of the month immediately preceding the Default by Tenant, on advances to member banks under Sections 13 and 13(a) of the Federal Reserve Act, as now in effect or hereafter from time to time amended, not to exceed the maximum rate allowable by law.

14.2.2 Continuance of Lease. Upon any Default by Tenant and unless and until Landlord elects to terminate this Lease pursuant to Paragraph 14.2.1 above, this Lease shall continue in effect after the Default by Tenant and Landlord may enforce all its rights and remedies under this Lease, including without limitation, the right to recover payment of Rentals as they become due. Neither efforts by Landlord to mitigate damages caused by a Default by Tenant nor the acceptance of any Rentals shall constitute a waiver by Landlord of any of Landlord's rights or remedies, including the rights and remedies specified in Paragraph 14.2.1 above. The Landlord shall have the remedy described in California Civil Code Section 1951.4 (landlord may continue lease in effect after tenant's breach and abandonment and recover rent as it becomes due, if landlord has the right to sublet or assign, subject only to reasonable limitations).

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15. Damage or Destruction.

15.1 Definition of Terms. For the purposes of this Lease, the term: (a) "Insured Casualty" means damage to or destruction of the Premises from a cause actually insured against, for which the insurance proceeds paid or made available to Landlord, together with the amount of deductible applicable to such insured casualty (and which deductible shall be paid by Tenant to Landlord), are sufficient to rebuild or restore the Premises under then-existing building codes to the condition existing immediately prior to the damage or destruction; and (b) "Uninsured Casualty" means damage to or destruction of the Premises from a cause not actually insured against, or from a cause actually insured against but for which the insurance proceeds paid or made available to Landlord are for any

reason insufficient to rebuild or restore the Premises under then-existing building codes to the condition existing immediately prior to the damage or destruction, or from a cause actually insured against but for which the insurance proceeds are not paid or made available to Landlord within sixty (60) days of the event of damage or destruction.

15.2 Insured Casualty.

15.2.1 Rebuilding Required. In the event of an Insured Casualty where the extent of damage or destruction is less than twenty percent (20%) of the then full replacement cost of the Premises, Landlord shall rebuild or restore the Premises to the condition existing immediately prior to the damage or destruction, provided the damage or destruction was not a result of a negligent or willful act of Tenant, and that there exist no governmental codes or regulations that would interfere with Landlord's ability to so rebuild or restore.

15.2.2 Landlord's Election. In the event of an Insured Casualty where the extent of damage or destruction is equal to or greater than twenty percent (20%) of the then full replacement cost of the Premises, Landlord may, at its option and at its sole discretion, rebuild or restore the Premises to the condition existing immediately prior to the damage or destruction, or terminate this Lease. Landlord shall notify Tenant in writing within forty-five (45) days after the event of damage or destruction of Landlord's election to either rebuild or restore the Premises or terminate this Lease.

15.2.3 Continuance of Lease. If Landlord is required to rebuild or restore the Premises pursuant to Paragraph 15.2.1 or if Landlord elects to rebuild or restore the Premises pursuant to Paragraph 15.2.2, this Lease shall remain in effect and Tenant shall have no claim against Landlord for compensation for inconvenience or loss of business during any period of repair or restoration.

15.3 Uninsured Casualty.

15.3.1 Landlord's Election. In the event of an Uninsured Casualty, Landlord may, at its option and at its sole discretion (i) rebuild or restore the Premises as soon as reasonably possible at Landlord's expense (unless the damage or destruction was caused by a

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negligent or willful act of Tenant, in which event Tenant shall pay all costs of rebuilding or restoring), in which event this Lease shall continue in full force and effect or (ii) terminate this Lease, in which event Landlord shall give written notice to Tenant within forty-five (45) days after the event of damage or destruction of Landlord's election to terminate this Lease as of the date of the event of damage or destruction, and if the damage or destruction was caused by a negligent or willful act of Tenant, Tenant shall be liable therefor to Landlord.

15.3.2 Tenant's Ability to Continue Lease. If Landlord elects to terminate this Lease and the extent of damage or destruction is less than twenty percent (20%) of the then full replacement cost of the Premises or the proceeds paid or made available to Landlord are for any reason insufficient to rebuild or restore the Premises under then-existing building codes to the condition existing immediately prior to the damage or destruction, and if there exist no governmental codes or regulations that would interfere with Landlord's ability to so repair or restore, then Tenant may nevertheless cause the Lease to continue in effect by (i) notifying Landlord in writing within ten (10) days after Landlord's notice of termination of Tenant's agreement to pay all costs of rebuilding or restoring not covered by insurance, and (ii) providing Landlord with reasonable security for or assurance of such payment. Tenant shall pay to Landlord in cash no later than thirty (30) days prior to the date of commencement of construction the reasonable estimated cost of rebuilding or restoring. In the event Tenant fails to pay such cost to Landlord by the date specified, Landlord may immediately terminate the Lease and recover from Tenant all costs incurred by Landlord in preparation for construction. If the actual cost of rebuilding or restoring exceeds the estimated cost of such work, Tenant shall pay the difference to Landlord in cash upon notification by Landlord of the final cost. If the cost of rebuilding or restoring is less than the estimated cost of such work, Tenant shall be entitled

to a refund of the difference upon completion of the rebuilding or restoring and determination of final cost.

15.4 Tenant's Election. Notwithstanding anything to the contrary contained in this Paragraph 15, Tenant may elect to terminate this Lease in the event the Premises are damaged or destroyed and, in the reasonable opinion of Landlord's architect or construction consultants, the restoration of the Premises cannot be substantially completed within one hundred eighty (180) days after the event of damage or destruction. Tenant's election shall be made by written notice to Landlord within twenty (20) days after Tenant receives from Landlord the estimate of the time needed to complete repair or restoration of the Premises. If Tenant does not deliver said notice within said twenty (20) day period, Tenant may not later terminate this Lease even if substantial completion of the rebuilding or restoration occurs subsequent to said one hundred eighty day period, provided that Landlord is proceeding with diligence to rebuild or restore the Premises. The preceding sentence to the contrary notwithstanding, if such rebuilding or restoration is not completed within two hundred forty (240) days following the event of damage or destruction, then Tenant shall be allowed to terminate this Lease (even if Landlord is proceeding with diligence to rebuild or restore the Premises) by delivering written notice to Landlord within twenty (20) days following such two hundred forty (240) day period. If Tenant delivers said notice within said twenty (20) day period, this Lease shall terminate as of the date of the event of damage or destruction.

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15.5 Damage or Destruction Near End of Lease Term. Notwithstanding anything to the contrary contained in this Paragraph 15, in the event the Premises are damaged or destroyed in whole or in part (regardless of the extent of damage) from any cause during the last twelve (12) months of the Lease Term, Landlord may, at Landlord's option, terminate this Lease as of the date of the event of damage or destruction by giving written notice to Tenant of Landlord's election to do so within thirty (30) days after the event of such damage or destruction. For purposes of this Paragraph 15.5, if Tenant has been granted an option to extend or renew the Lease Term pursuant to another provision of this Lease, then the damage or destruction shall be deemed to have occurred during the last twelve (12) months of the Lease Term if Tenant fails to exercise its option to extend or renew within twenty-five (25) days after the event of damage or destruction. Notwithstanding anything to the contrary contained in this Paragraph 15, in the event the Premises are damaged or destroyed in whole or in part (regardless of the extent of damage) from any cause (other than the acts, omissions, negligence or willful misconduct of Tenant or any of its agents, employees, licensees, invitees, subtenants or contractors) during the last twelve (12) months of the Lease Term and such repair or restoration cannot be completed at least six months prior to the expiration of the Lease Term, Tenant may, at Tenant's option, terminate this Lease as of the date of the event of damage or destruction by giving written notice to Landlord of Tenant's election to do so within thirty (30) days after the event of such damage or destruction.

15.6 Termination of Lease. The current Rent and Operating Expenses shall be proportionately reduced during the period following the event of damage or destruction until the date on which Tenant surrenders the Premises, based upon the extent to which the damage or destruction interferes with Tenant's business conducted in the Premises, as reasonably determined by Landlord. The proceeds of insurance carried by Tenant pursuant to Paragraph 8.2 shall be paid to Landlord and Tenant, as their interests appear.

15.7 Abatement of Rentals. If the Premises are to be rebuilt or restored pursuant to this Paragraph 15, the then current Rent and Operating Expenses shall be proportionately reduced during the period of repair or restoration, based upon the extent to which the making of repairs interferes with Tenant's business conducted in the Premises, as reasonably determined by Landlord.

15.8 Liability for Personal Property. In no event shall Landlord have any liability for, nor shall it be required to repair or restore, any injury or damage to any Alterations to the Premises made by Tenant, trade fixtures, equipment, merchandise, furniture, or any other property installed by Tenant or at the expense of Tenant. Subject to the provisions of Paragraph 8.6 above, the immediately preceding sentence shall not relieve Landlord from liability for its negligent acts or willful misconduct. In no event, however, shall Landlord be liable for any claims by Tenant of lost profits, loss of business or lost income. If Landlord or Tenant do not elect to terminate this

Lease pursuant to this Paragraph 15, Tenant shall be obligated to promptly rebuild or restore the same to the condition existing immediately prior to the damage or destruction in accordance with the provisions of Paragraph 13.1.

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15.9 Waiver of Civil Code Remedies. Landlord and Tenant acknowledge that the rights and obligations of the parties upon damage or destruction of the Premises are as set forth herein; therefore Tenant hereby expressly waives any rights to terminate this Lease upon damage or destruction of the Premises, except as specifically provided by this Lease, including without limitation any rights pursuant to the provisions of subdivision 2 of Section 1932 and subdivision 4 of Section 1933 of the California Civil Code, as amended from time to time, and the provisions of any similar law hereinafter enacted, which provisions relate to the termination of the hiring of a thing upon its substantial damage or destruction.

16. Condemnation.

16.1 Definition of Terms. For the purposes of this Lease, the term: (a) "Taking" means a taking of the Premises or Common Area or damage related to the exercise of the power of eminent domain and includes, without limitation, a voluntary conveyance, in lieu of court proceedings, to any agency, authority, public utility, person or corporate entity empowered to condemn property; (b) "Total Taking" means the Taking of the entire Premises or so much of the Premises or Common Area as to prevent or substantially impair the use thereof by Tenant for the uses herein specified; provided, however, that in no event shall the Taking of less than twenty percent (20%) of the Premises be considered a Total Taking; (c) "Partial Taking" means the Taking of only a portion of the Premises or Common Area which does not constitute a Total Taking; (d) "Date of Taking" means the date upon which the title to the Premises or Common Area or a portion thereof, passes to and vests in the condemnor or the effective date of any order for possession if issued prior to the date title vests in the condemnor; (e) "Award" means the amount of any award made, consideration paid, or damages ordered as a result of a Taking.

16.2 Rights. The parties agree that in the event of a Taking all rights between them or in and to an Award shall be as set forth herein.

16.3 Total Taking. In the event of a Total Taking during the Lease Term: (a) the rights of Tenant under this Lease and the leasehold estate of Tenant in and to the Premises shall cease and terminate as of the Date of Taking; (b) Landlord shall refund to Tenant any prepaid Rent; (c) Tenant shall pay Landlord any Rentals due Landlord under the Lease, prorated as of the Date of Taking; (d) to the extent the Award is not payable to the beneficiary or mortgagee of a deed of trust or mortgage affecting the Premises, Tenant shall receive from the Award those portions of the Award attributable to trade fixtures of Tenant, Alterations paid by Tenant and loss of goodwill, if any; (e) the remainder of the Award shall be paid to and be the property of Landlord. Tenant reserves the right to apply separately for compensation resulting from a taking of Tenant's trade fixtures, Alterations paid by Tenant and loss of goodwill, if any. If any portion of the award received by Landlord is directly attributable to Tenant's trade fixtures, Alterations paid by Tenant or Tenant's loss of goodwill, then Landlord shall promptly pay such portion of the award attributable to such items to Tenant.

16.4 Partial Taking. In the event of a Partial Taking during the Lease Term: (a) the rights of Tenant under the Lease and the leasehold estate of Tenant in and to the portion

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of the Premises taken shall cease and terminate as of the Date of Taking; (b) from and after the Date of Taking the Rent shall be an amount equal to the product obtained by multiplying the then current Rent by the quotient obtained by dividing the fair market value of the Premises immediately after the Taking by the fair market value of the Premises immediately prior to the Taking; (c) to the extent the Award is not payable to the beneficiary or mortgagee of a deed of trust or mortgage affecting the Premises, Tenant shall receive from the Award the portions of the Award attributable to trade fixtures of Tenant, Alterations paid by Tenant and loss of goodwill, if any; and (d) the remainder of the Award shall be paid to and be the property of Landlord. Tenant reserves the right to

apply separately for compensation resulting from a taking of Tenant's trade fixtures, Alterations paid by Tenant and loss of goodwill, if any. If any portion of the award received by Landlord is directly attributable to Tenant's trade fixtures, Alterations paid by Tenant or Tenant's loss of goodwill, then Landlord shall promptly pay such portion of the award attributable to such items to Tenant. Each party waives the provisions of California Code of Civil Procedure Section 1265.130 allowing either party to petition the Superior Court to terminate this Lease in the event of a Partial Taking.

17. Liens.

17.1 Premises to Be Free of Liens. Tenant shall pay for all labor and services performed for, and all materials used by or furnished to Tenant, Tenant's agents, or any contractor employed by Tenant with respect to the Premises. Tenant shall indemnify, defend and hold Landlord harmless from and keep the Premises and Common Area free from any liens, claims, demands, encumbrances, or judgments, including all costs, liabilities and reasonable attorneys' fees with respect thereto, created or suffered by reason of any labor or services performed for, or materials used by or furnished to Tenant or Tenant's agents or any contractor employed by Tenant with respect to the Premises. 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 and the Premises and Common Area, and any other party having an interest therein, from mechanics' and materialmen's liens, including without limitation a notice of nonresponsibility. In the event Tenant is required to post an improvement bond with a public agency in connection with any work performed by Tenant on or to the Premises, Tenant shall include Landlord as an additional obligee.

17.2 Notice of Lien, Bond. Should any claims of lien be filed against, or any action be commenced affecting, the Premises, Tenant's interest in the Premises or the Common Area, Tenant shall give Landlord notice of such lien or action within seven (7) 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 thirty (30) 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 such means as Landlord shall deem proper, including payment of the claim giving rise to such lien or posting of a proper bond. All such sums paid by Landlord and all expenses incurred by Landlord in connection therewith, including attorneys' fees and costs, shall be payable to Landlord by Tenant as Additional Rent on demand.

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18. Landlord's Right of Access to Premises. Landlord reserves and shall have the right and Tenant and Tenant's agents shall permit Landlord and Landlord's agents to enter the Premises at any reasonable time upon not less than twenty-four hours advance notice (except in the event of an emergency) for the purpose of (i) inspecting the Premises, (ii) performing Landlord's maintenance and repair responsibilities set forth herein, (iii) posting notices of non-responsibility, (iv) placing upon the Premises at any time "For Sale" signs, (v) placing on the Premises ordinary "For Lease" signs at any time within six (6) months prior to Lease Termination, or at any time Tenant is in default hereunder and the applicable cure or grace period has expired with respect to such default, or at such other times as agreed to by Landlord and Tenant, (vi) protecting the Premises in the event of an emergency, (vii) exhibiting the Premises to prospective purchasers or lenders, and (viii) exhibiting the Premises to prospective tenants during the last six (6) months prior to Lease Termination or at any time while a Tenant default is continuing following the applicable cure or grace period. In the event of an emergency, Landlord shall have the right to use any and all means which Landlord may deem proper to gain access to the Premises. Any entry by Landlord pursuant to the provisions of this Paragraph 18 shall not unreasonably impair Tenant's access to the Premises, Tenant's parking rights under this Lease or Tenant's use of the Premises. Any entry to the Premises by Landlord or Landlord's agents in accordance with this Paragraph 18 or any other provision of 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 an eviction of Tenant from the Premises or any portion thereof nor give Tenant the right to abate the Rentals payable under this Lease. Tenant hereby waives any claims for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned by Landlord's or Landlord's agents' entry into the Premises as permitted by this Paragraph 18

or any other provision of this Lease (except if such loss or damage results from Landlord's negligence or willful misconduct). The preceding notwithstanding, under no circumstances shall Landlord be liable to Tenant for any claims of lost profits, loss of business or lost income.

19. Landlord's Right to Perform Tenant's Covenants. Except as otherwise expressly provided herein, if Tenant shall at any time fail to make any payment or perform any other act required to be made or performed by Tenant under this Lease, Landlord may upon ten (10) days written notice to Tenant, but shall not be obligated to and without waiving or releasing Tenant from any obligation under this Lease, make such payment or perform such other act to the extent that Landlord may deem desirable, and in connection therewith, pay expenses and employ counsel. All sums so paid by Landlord and all penalties, interest and costs in connection therewith shall be due and payable by Tenant as Additional Rent upon demand.

20. Lender Requirements.

20.1 Subordination. This Lease, at Landlord's option, shall be subject and subordinate to the lien of any mortgages or deeds of trust (including all advances thereunder, renewals, replacements, modifications, supplements, consolidations, and extensions thereof) in any amount(s) whatsoever now or hereafter placed on or against or affecting the Premises and/or the real property comprising the Common Area or Landlord's interest or estate therein, without

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the necessity of the execution and delivery of any further instruments on the part of Tenant to effectuate such subordination. If any mortgagee or beneficiary shall elect to have this Lease prior to the lien of its mortgage or deed of trust, and shall give written notice thereof to Tenant, this Lease shall be deemed prior to such mortgage or deed of trust, whether this Lease is dated prior or subsequent to the date of such mortgage or deed of trust or the date of the recording thereof.

20.2 Subordination Agreements. Tenant shall execute and deliver without charge therefor, such further instruments evidencing subordination of this Lease to the lien of any mortgages or deeds of trust affecting the Premises and/or real property comprising the Common Area as may be required by Landlord within fifteen (15) days following Landlord's request therefor; provided that such mortgagee or beneficiary under such mortgage or deed of trust 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, and provided further than any subordination, non-disturbance agreement required by a mortgagee or beneficiary under a deed of trust shall be substantially in the form of Exhibit E attached hereto and incorporated herein by this reference, unless otherwise agreed to in writing by lender. Landlord agrees to reasonably request of its existing lender holding a security interest in the Premises that such lender execute a subordination, non-disturbance agreement in substantially the form of Exhibit E attached hereto with respect to Tenant and this Lease. This Lease and the effectiveness of the same shall not be conditioned, however, on the execution of such subordination, non-disturbance agreement by Landlord's lender.

20.3 Approval by Lenders. Tenant recognizes that the provisions of this Lease may be subject to the approval of any financial institution that may make a loan secured by a new or subsequent deed of trust or mortgage affecting the Premises and/or real property comprising the Common Area. If the financial institution should require, as a condition to such financing, any modifications of this Lease in order to protect its security interest in the Premises, including without limitation, modification of the provisions relating to damage to and/or condemnation of the Premises, Tenant agrees to execute the appropriate amendments; provided, however, that no modification shall substantially change the size, location or dimension of the Premises, increase the Rentals payable by Tenant hereunder or increase the obligations of Tenant hereunder.

20.4 Attornment. In the event of foreclosure or the exercise of the power of sale under any mortgage or deed of trust made by Landlord and covering the Premises and/or real property comprising the Common Area, Tenant shall attorn to the foreclosing lender and to the purchaser upon any such foreclosure or sale and recognize such lender or such purchaser as the Landlord

under the Lease.

20.5 Estoppel Certificates.

(a) Delivery by Tenant. Tenant shall, within fifteen (15) days following request by

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Landlord therefor and without charge, execute and deliver to Landlord estoppel certificates and current financial statements of Tenant reasonably requested by Landlord in connection with the sale or financing of the Premises and/or real property comprising the Common Area, or reasonably requested by any lender making a loan affecting the Premises and/or real property comprising the Common Area. Landlord may require that Tenant deliver to Landlord and/or such lender an estoppel certificate in the form of Exhibit F attached hereto and incorporated herein by this reference. Any such estoppel certificate may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises, and/or real property comprising the Common Area.

(b) Nondelivery by Tenant. Tenant's failure to deliver an estoppel certificate as required pursuant to Paragraph 20.5(a) above shall be conclusive upon Tenant that (i) this Lease is in full force and effect, without modification except as may be represented by Landlord and has not been assigned, (ii) there are now no uncured defaults in Landlord's performance, (iii) no Rentals have been paid in advance except those that are set forth in this Lease, (iv) the improvements to be constructed on the Premises by Landlord have been substantially completed except for punch list items which do not prevent Tenant from using the Premises for its intended use, and (v) Tenant has entered into occupancy of the Premises on such date as may be represented by Landlord and is open and conducting business at the Premises. Tenant's failure to deliver any financial statements or estoppel certificates as required pursuant to Paragraph 20.5(a) above shall be a Default by Tenant.

21. Holding Over. This Lease shall terminate without further notice at the expiration of the Lease Term. It is the desire of Landlord either to enter into a new lease with Tenant for the Premises prior to the expiration of the Lease Term, or to have Tenant vacate the Premises pursuant to Paragraph 35 below. Therefore, any holding over by Tenant after Lease Termination shall not constitute a renewal or extension of the Lease Term, nor give Tenant any rights in or to the Premises except as expressly provided in this Lease. Any holding over after Lease Termination with the consent of Landlord shall be construed to be a tenancy from month to month, at one hundred fifty percent (150%) of the monthly Rent for the month preceding Lease Termination in addition to all Additional Rent payable hereunder, and shall otherwise be on the terms and conditions herein specified insofar as applicable. If Tenant remains in possession of the Premises after Lease Termination without Landlord's consent Tenant shall indemnify, defend and hold Landlord harmless from and against any loss, damage, expense, claim or liability resulting from Tenant's failure to surrender the Premises, including without limitation, any claims made by any succeeding tenant based on delay in the availability of the Premises.

22. Notices. Any notice required or desired to be given under this Lease shall be in writing, and all notices shall be given by personal delivery or mailing. All notices personally given on Tenant may be delivered to any person apparently in charge at the Premises, on any corporate officer or agent of Tenant (including, without limitation, the General Counsel of Tenant) if Tenant is a corporation, or on any one signatory party if more than one party signs this Lease on behalf of Tenant; any notice so given shall be binding upon all signatory parties as if served upon each such party personally. Any notice given pursuant to this Paragraph 22 shall be deemed to have been given when personally delivered, or if mailed, when seventy-two (72) hours have elapsed from the time when such notice was deposited in the United States mail,

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certified or registered mail and postage prepaid, addressed to the party at the last address given for purposes of notice pursuant to the provisions of this Paragraph 22. At the date of execution of this Lease, the addresses of Landlord and Tenant are set forth in Paragraph 1.11 above.

23. Attorneys' Fees. In the event either party hereto shall bring any

action or legal proceeding for damages for an alleged breach of any provision of this Lease, to recover Rentals, to enforce an indemnity defense or hold harmless obligation, to terminate the tenancy of the Premises, or to enforce, protect, interpret, or establish any term, condition, or covenant of this Lease or right or remedy of either party, the prevailing party shall be entitled to recover, as a part of such action or proceeding, reasonable attorneys' fees and court costs, including attorneys' fees and costs for appeal, as may be fixed by the court or jury.

24. Assignment, Subletting and Hypothecation.

24.1 In General. Tenant shall not voluntarily sell, assign or transfer all or any part of Tenant's interest in this Lease or in the Premises or any part thereof, sublease all or any part of the Premises, or permit all or any part of the Premises to be used by any person or entity other than Tenant or Tenant's employees, except as specifically provided in this Paragraph 24.

24.2 Voluntary Assignment and Subletting.

(a) Notice to Landlord. Tenant shall, by written notice, advise Landlord of Tenant's desire on a stated date (which date shall not be less than thirty (30) days nor more than ninety (90) days after the date of Tenant's notice) to assign this Lease or to sublet all or any part of the Premises for any part of the Lease Term. Said notice shall state that the notice constitutes an offer to terminate the Lease or Tenant's interest in the portion of the Premises specified pursuant to Paragraph 24.2(b) if the notice applies to a proposed assignment of the Lease or Tenant's interest therein, a proposed sublease of all or any part of the Premises for more than fifty percent (50%) of the remainder of the Lease Term, or a proposed sublease of more than fifty percent (50%) of the Premises for any period. Tenant's notice shall state the name, legal composition and address of the proposed assignee or subtenant, and Tenant shall provide the following information to Landlord with said notice: a true and complete copy of the proposed assignment agreement or sublease; a financial statement of the proposed assignee or subtenant (certified as true and correct by an officer or partner of the proposed assignee or subtenant) prepared in accordance with generally accepted accounting principles within one year prior to the proposed effective date of the assignment or sublease; the nature of the proposed assignee's or subtenant's business to be carried on in the Premises; the payments to be made or other consideration to be given on account of the assignment or sublease; a current financial statement of Tenant; and such other pertinent information as may be requested by Landlord, all in sufficient detail to enable Landlord to evaluate the proposed assignment or sublease and the prospective assignee or subtenant. Tenant's notice shall not be deemed to have been served or given until such time as Tenant has provided Landlord with all information reasonably requested by Landlord pursuant to this Paragraph 24.2. Tenant shall immediately notify Landlord of any modification to the proposed terms of such assignment or sublease.

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Tenant may withdraw its notice at any time prior to exercise by Landlord of Landlord's right to terminate as described in Paragraph 24.2(b).

(b) Offer to Terminate. If Tenant notifies Landlord of its desire to assign this Lease or any interest herein, to sublet all or any part of the Premises for more than fifty percent (50%) of the remainder of the Lease Term, or to sublet more than fifty percent (50%) of the Premises for any period, Tenant's notice shall constitute an offer to terminate this Lease or Tenant's interest in the portion of the Premises specified and Landlord shall have the right, to be exercised by giving written notice to Tenant within ten (10) days after receipt of Tenant's notice, to terminate the Lease (i) entirely, in the event of a proposed assignment or a sublease of the entire Premises for the remainder of the Lease Term, (ii) as to the portion of the Premises which is the subject of a proposed sublease for more than fifty percent (50%) of the remainder of the Lease Term, or (iii) as to the portion of the Premises which is the subject of a proposed sublease of more than fifty percent (50%) of the Premises for any period, as specified in Tenant's notice. For purposes of this Paragraph 24.2(b), (i) the term of a proposed sublease shall include all options to extend or renew, and (ii) a proposed sublease shall be deemed to be for the remainder of the Lease Term if the term of the proposed sublease will expire within one year prior to the end of the Lease Term. If Tenant's notice specifies all of the Premises and Landlord elects to terminate, this Lease and the

obligations of Landlord and Tenant under this Lease shall terminate on the date stated in the notice given by Tenant pursuant to Paragraph 24.2(a), except that any obligations which have accrued and are unfulfilled as of such date and any obligations under this Lease that expressly survive termination of this Lease shall survive such termination. If Tenant's notice specifies less than all of the Premises and Landlord elects to terminate, this Lease and the obligations of Landlord and Tenant under this Lease shall terminate on the date stated solely with respect to that portion of the Premises specified in Tenant's notice (except that any obligations which have accrued and are unfulfilled with respect to the terminated portion of the Premises as of such date and any obligations under this Lease with respect to such terminated portion of the Premises that expressly survive termination of this Lease shall survive such termination), and Rent and all other costs and expenses payable by Tenant hereunder shall be adjusted pro rata, based upon the number of net leasable square feet retained by Tenant after the termination, compared to the total number of net leasable square feet in the entire Premises excluding any areas of the Premises designated in the proposed sublease for ingress and egress and common areas, if any. The Lease as so amended shall continue thereafter in full force and effect. Landlord and Tenant shall execute an amendment to this Lease specifying the new Premises, the adjusted Rent, a reasonable method for apportioning maintenance and operating obligations based on the multitenant nature of the Premises, and Tenant's share of costs and expenses; provided, however, that failure by either party to execute such an amendment shall not affect the validity of this Lease.

(c) Landlord's Consent. If Landlord does not exercise its right to terminate pursuant to Paragraph 24.2(b) within ten (10) days after receipt of Tenant's notice or if a proposed sublease is not subject to the provisions of Paragraph 24.2(b), Landlord shall not unreasonably withhold its consent to the proposed assignment or subletting, on the terms and conditions specified in said notice. If Tenant's notice fails to state that it constitutes an offer to terminate the Lease as may be required pursuant to Paragraph 24.2(a), such notice shall be

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deemed insufficient for the purposes of this Paragraph 24.2, and Landlord may withhold its consent to the proposed assignment or subletting in Landlord's absolute discretion. Without otherwise limiting the criteria upon which Landlord may withhold its consent to any proposed assignment or sublease, if Landlord withholds its consent where Tenant is in default at the time of the giving of Tenant's notice or at any time thereafter, such withholding of consent shall be presumptively reasonable. Landlord and Tenant agree that fifty percent (50%) of any and all rent paid by an assignee or subtenant, including, but not limited to, any rent in excess of the Rentals to be paid under this Lease (prorated in the event of a sublease of less than the entire Premises), shall be paid directly to Landlord, as Additional Rent, at the time and place specified in this Lease. For the purposes of this Paragraph 24, the term "rent" shall include any consideration of any kind received, or to be received, by Tenant from an assignee or subtenant, if such sums are related to Tenant's interest in this Lease or in the Premises, including, but not limited to key money, bonus money, and payments (in excess of the fair market value thereof) for Tenant's assets, fixtures, trade fixtures, inventory, accounts, goodwill, equipment, furniture, general intangibles, and any capital stock or other equity ownership interest of Tenant. Any assignment or subletting without Landlord's consent shall be voidable at Landlord's option, and shall constitute a Default by Tenant. Landlord's consent to any one assignment or sublease shall not constitute a waiver of the provisions of this Paragraph 24 as to any subsequent assignment or sublease nor a consent to any subsequent assignment or sublease; further, Landlord's consent to an assignment or sublease shall not release Tenant from Tenant's obligations under this Lease, and Tenant shall remain jointly and severally liable with the assignee or subtenant.

(d) Assumption of Obligations. In the event Landlord consents to any assignment, such consent shall be conditioned upon the assignee expressly assuming and agreeing to be bound by each of Tenant's covenants, agreements and obligations contained in this Lease, pursuant to a written assignment and assumption agreement in a form reasonably approved by Landlord. Landlord's consent to any assignment or sublease shall be evidenced by Landlord's signature on said assignment and assumption agreement or on said sublease or by a separate written consent. In the event Landlord consents to a proposed assignment or sublease, such assignment or sublease shall be valid and the assignee or subtenant shall have the right to take possession of the Premises only if an executed original of the assignment or sublease is delivered

to Landlord, and such document contains the same terms and conditions as stated in Tenant's notice to Landlord given pursuant to Paragraph 24.2(a) above, except for any such modifications to which Landlord has consented in writing.

24.3 Collection of Rent. Tenant hereby irrevocably gives to and confers upon Landlord, as security for Tenant's obligations under this Lease, the right, power and authority to collect all rents from any assignee or subtenant of all or any part of the Premises as permitted by this Paragraph 24, or otherwise, and Landlord, as assignee of Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; provided, however, that until the occurrence of any Default by Tenant or except as provided by the provisions of Paragraph 24.2(c) above, Tenant shall have the right to collect such rent. Upon the occurrence of any Default by Tenant, Landlord may at any time without notice in Landlord's own name sue for or otherwise collect such rent,

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including rent past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, toward Tenant's obligations under this Lease. Landlord's collection of such rents shall not constitute an acceptance by Landlord of attornment by such subtenants; in the event of a Default by Tenant, Landlord shall have all rights provided by this Lease and by law, and Landlord may, upon re-entry and taking possession of the Premises, eject all parties in possession or eject some and not others, or eject none, as Landlord shall determine in Landlord's sole discretion.

24.4 No Bonus Value. It is the intent of the parties hereto that this Lease shall confer upon Tenant only the right to use and occupy the Premises, and to exercise such other rights as are conferred upon Tenant by this Lease. The parties agree that, except to the extent provided in Paragraph 24.2(c) in which Landlord agrees to split equally excess rentals paid to Tenant, this Lease is not intended to have a bonus value, nor to serve as a vehicle whereby Tenant may profit by a future assignment or sublease of this Lease or the right to use or occupy the Premises as a result of any favorable terms contained herein or any future changes in the market for leased space. It is the intent of the parties that any such bonus value that may attach to this Lease shall be and remain, subject to the provisions of Paragraph 24.2(c), the exclusive property of Landlord.

24.5 Corporations and Partnerships. If Tenant is a partnership, any withdrawal or substitution (whether voluntary, involuntary, or by operation of law and whether occurring at one time or over a period of time) of any partner(s) owning fifty percent (50%) or more (cumulatively) of the partnership, any assignment(s) of fifty percent (50%) or more (cumulatively) of any interest in the capital or profits of the partnership, or the dissolution of the partnership shall be deemed an assignment of this Lease requiring the prior written consent of Landlord. If Tenant is a corporation, any dissolution, merger, consolidation or other reorganization of Tenant, any sale or transfer (or cumulative sales or transfers) of the capital stock of Tenant in excess of fifty percent (50%), or any sale (or cumulative sales) of all of the assets of Tenant shall be deemed an assignment of this Lease requiring the prior written consent of Landlord. Any such withdrawal or substitution of partners or assignment of any interest in or dissolution of a partnership tenant, and any such sale of stock or assets of a corporate tenant without the prior written consent of Landlord shall be a Default by Tenant hereunder. The foregoing notwithstanding, (i) the sale or transfer of any or all of the capital stock of a corporation, the capital stock of which is now or hereafter becomes publicly traded, or (ii) the sale or transfer of this Lease to Tenant's parent company or any affiliates or subsidiaries of Tenant's parent company, or (iii) the sale or transfer of this Lease to an unaffiliated entity with whom Tenant or Tenant's parent company or any affiliates or subsidiaries of Tenant's parent company have a joint development or joint venture relationship, shall not be deemed an assignment of this Lease, shall not require the prior written consent of Landlord (but written notice of such sale or transfer shall be given by Tenant to Landlord prior to or promptly following the date of such sale or transfer), shall not give Landlord a right to recapture the Premises, or portion thereof, which is the subject of such sale or transfer, and shall not entitle Landlord to any bonus rent with respect to such sale or transfer. The parent company of Tenant and any subsidiaries of the parent company of Tenant shall be deemed "Affiliates" of Tenant.

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24.6 Reasonable Provisions. Tenant expressly agrees that the provisions of this Paragraph 24 are not unreasonable standards or conditions for purposes of Section 1951.4(b)(2) of the California Civil Code, as amended from time to time, under bankruptcy laws, or for any other purpose.

24.7 Attorney's Fees. Tenant shall pay, as Additional Rent, Landlord's reasonable attorneys' fees for reviewing, investigating, processing and/or documenting any requested assignment or sublease, whether or not Landlord's consent is granted (but not to exceed \$750).

24.8 Involuntary Transfer. No interest of Tenant in this Lease shall be assignable, involuntarily or by operation of law, including, without limitation, the transfer of this Lease by testacy or intestacy. Each of the following acts shall be considered an involuntary assignment:

(a) If Tenant is or becomes bankrupt or insolvent, makes an assignment for the benefit of creditors, or a proceeding under any bankruptcy law is instituted in which Tenant is the bankrupt; or, if Tenant is a partnership or consists of more than one person or entity, if any partner of the partnership or other person or entity is or becomes bankrupt or insolvent, or makes an assignment for the benefit of creditors;

(b) Levy of a writ of attachment or execution on this Lease;

(c) Appointment of a receiver with authority to take possession of the Premises in any proceeding or action to which Tenant is a party; or

(d) Foreclosure of any lien affecting Tenant's interest in the Premises, which lien was not consented to by Landlord pursuant to Paragraph 24.9. An involuntary assignment shall constitute a Default by Tenant and Landlord shall have the right to terminate this Lease, in which case this Lease shall not be treated as an asset of Tenant. In the event the Lease is not terminated, the provisions of Paragraph 24.2(c) regarding rents paid by an assignee or subtenant and Paragraph 24.4 shall apply. If a writ of attachment or execution is levied on this Lease, or if any involuntary proceeding in bankruptcy is brought against Tenant or a receiver is appointed, Tenant shall have sixty (60) days in which to cause the attachment or execution to be removed, the involuntary proceeding dismissed, or the receiver removed.

24.9 Hypothecation. Tenant shall not hypothecate, mortgage or encumber Tenant's interest in this Lease or in the Premises or otherwise use this Lease as a security device in any manner without the consent of Landlord, which consent Landlord may withhold in its sole and absolute discretion. Consent by Landlord to any such hypothecation or creation of a lien or mortgage shall not constitute consent to an assignment or other transfer of this Lease following foreclosure of any permitted lien or mortgage.

24.10 Binding on Successors. The provisions of this Paragraph 24 expressly apply to all heirs, successors, sublessees, assignees and transferees of Tenant.

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25. Hazardous Materials.

25.1 Permitted Materials. Notwithstanding Paragraph 6.4 of the Lease, Tenant may use, keep and store in the Premises those Hazardous Materials listed on Exhibit "C" attached hereto, and such other Hazardous Materials which may be approved by Landlord from time to time in Landlord's reasonable discretion, in such quantities and volumes as are necessary to conduct Tenant's business in the Premises ("Permitted Materials"). Permitted Materials shall be used, kept, stored, disposed of, removed, and transported in strict compliance with all laws, ordinances, regulations, rules, orders, and policies of any federal, state, county, municipal, or other governmental authority (collectively, "Governmental Authority") having jurisdiction over Hazardous Materials ("Environmental Laws"). Upon Landlord's reasonable, written request, Tenant shall provide Landlord with an updated list of all Permitted Materials used, kept, or stored in the Premises. Tenant shall promptly comply with any law, ordinance, or regulation of any Governmental Authority requiring modifications to the Premises or the improvements thereon that are intended to protect the Premises and the environment against the release of Hazardous

Materials. Tenant shall obtain all necessary permits from applicable Governmental Authorities required to maintain the Permitted Materials and shall furnish Landlord, upon reasonable request by Landlord, with copies of such permits or any plans, reports or other material required to be filed with any Governmental Authority relating to the use of the Permitted Materials. Upon the expiration or sooner termination of this Lease, Tenant covenants to remove from the Premises or Common Area, at its sole cost and expense, any and all Hazardous Materials then located on or about the Premises or Common Area due to a Release of Hazardous Materials by Tenant or Tenant's agents.

Tenant and Tenant's agents shall not release or dispose, or allow the release or disposal, of any Hazardous Materials, including Permitted Materials, in, on, under, or in the vicinity of the Premises; provided, however, that Tenant shall dispose, remove and transport from the Premises and Common Area any and all Permitted Materials in accordance with all Environmental Laws. Tenant shall immediately notify Landlord of any inquiry, test, investigation, or enforcement proceeding by or against Tenant or the Premises or Common Area concerning Hazardous Materials. Tenant acknowledges that Landlord shall have the right, but not the obligation, in Landlord's own name, to participate in any negotiations with any Governmental Authority with regard to Tenant's Release of Hazardous Materials on the Premises or Common Area. Tenant shall, within five (5) days after receipt by Tenant, submit to Landlord copies of all inquiries, test and investigation results, and enforcement proceedings described above and copies of all reports and responses thereto prepared by or on behalf of Tenant. In connection with the transportation of any Hazardous Materials to or from the Premises, Tenant shall list itself as the transporter and generator.

25.2 Landlord's Inspection Rights. Landlord shall have the right, upon reasonable advance notice to Tenant, to inspect, investigate, sample and/or monitor the Premises and Common Area, including any soil, water, groundwater, or other sampling to the extent reasonably necessary to determine whether Tenant is complying with the terms of this Lease with respect to Hazardous Materials. In connection therewith, Tenant shall provide Landlord with reasonable access to all portions of the Premises; provided, however, that Landlord shall avoid

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any unreasonable interference with the operation of Tenant's business on the Premises. All costs incurred by Landlord pursuant to this subparagraph 25.2 above shall be reimbursed by Tenant to Landlord within ten (10) days after Landlord's demand for payment if it is determined that a Release of Hazardous Materials by Tenant or any of its agents, employees, contractors or tenants has occurred. If Tenant fails to perform or does not commence and thereafter diligently prosecute any obligation to be performed by Tenant under this Lease with respect to Hazardous Materials within sixty (60) days after the date of Tenant's receipt of Landlord's written notice of the obligation to be performed, Landlord shall have the right, but not the obligation, without limitation upon any of Landlord's other rights or remedies under this Lease or at law or in equity, to enter upon the Premises and perform Tenant's obligations hereunder at Tenant's expense. All sums reasonably disbursed, deposited, or incurred by Landlord in connection with the performance of such obligation, including, but not limited to, all costs, expenses, and actual attorneys' fees, shall be due and payable by Tenant to Landlord as an item of additional rent on demand by Landlord, together with interest thereon at the maximum rate allowed by law from the date of such demand until paid by Tenant.

25.3 Investigation and Remediation. If Tenant or any of its Agents Releases any Hazardous Materials in, on or under the Premises or any of the Common Areas, Tenant shall promptly commence an investigation of the extent of such Hazardous Materials contamination of the Premises and/or Common Areas. Within sixty (60) days after completion of such investigation, Tenant shall also prepare and submit to Landlord or within such period commence to prepare and thereafter diligently complete and submit to Landlord a comprehensive plan specifying the actions to be taken by Tenant to remediate the Hazardous Materials to levels permitted by applicable Environmental Laws ("Remediation Plan"). Any Remediation Plan shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld or delayed. Within thirty (30) days after Landlord's approval of the Remediation Plan, Tenant shall commence and diligently prosecute to completion all such actions necessary to remediate the Hazardous Materials in accordance with the Remediation Plan. Any and all work performed pursuant to an Investigation Plan and/or Remediation Plan shall be performed at Tenant's sole cost and expense.

25.4 Tenant's Indemnity. Tenant shall indemnify, defend, and hold Landlord and Landlord's partners, employees, and agents harmless from and against any and all claims, actions, suits, proceedings, orders, judgments, losses, costs, damages, liabilities, or expenses (including, without limitation, attorneys' fees and costs of investigation, remediation, and/or cleanup) arising in connection with any Hazardous Materials Released by Tenant or any of Tenant's Agents in, on, under, or in the vicinity of the Premises or the Common Area, or any Hazardous Materials shipped thereto or therefrom, by Tenant or any of Tenant's Agents including, without limitation, (a) the investigation or remediation of Hazardous Materials Released by Tenant or any of Tenant's Agents in, on, or under the Premises or Common Area and the removal, transportation, and disposal of contaminated building materials, soils and/or groundwater arising from the remediation of such contamination, whether voluntary or required by any Governmental Authority; (b) ongoing monitoring of any Hazardous Materials contamination Released by Tenant or any of Tenant's Agents in, on, or under the Premises or Common Area, whether voluntary or required by any Governmental Authority; (c) the migration

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of any Hazardous Materials contamination Released by Tenant or any of Tenant's Agents to nearby properties, (d) personal injury, death, or property damage arising out of the presence of the Hazardous Materials contamination Released by Tenant or any of Tenant's Agents in, on, or under the Premises or Common Area; (e) damage to or loss of use of the Premises or Common Area or the environment or diminution in value of the Premises or Common Area caused by the Release of Hazardous Materials by Tenant or any of Tenant's Agents; and (f) fines, penalties, or other assessments levied against the Premises or Common Area or Landlord as a result of the presence of the Hazardous Materials contamination caused by Tenant or any of Tenant's Agents. The foregoing indemnity shall run to the benefit of Landlord, its partners, directors, officers, employees, agents, and successors and assigns, any existing or future lender who extends credit to Landlord, or its successors and assigns, which credit is secured by a mortgage or deed of trust on the Premises, any person or entity who acquires the interest of Landlord in the Premises (except Tenant), and any person who acquires a lender's interest in the Premises, either through foreclosure, deed in lieu of foreclosure, or exercise of any rights or remedies under the documents governing a loan or extension of credit.

25.5 Assignment and Subletting. It shall be presumptively reasonable for Landlord to withhold its consent to any proposed assignment or subletting if the proposed assignee or subtenant's use of the Premises would require the storage, use, handling, generation, disposal or transportation of Hazardous Materials other than the Permitted Materials unless such assignee or subtenant submits to Landlord, prior to occupancy, a list of Permitted Materials, which list shall be subject to the reasonable approval of Landlord.

25.6 Disclosures by Landlord. Landlord discloses to Tenant that, pursuant to an Order or Orders imposed by the California Regional Water Quality Control Board, certain remedial action has been undertaken or is being undertaken in connection with certain portions of the Common Area or soils or groundwater underlying such Common Area. The terms and conditions of that certain Covenant to Restrict Use of Property executed by RREEF USA FUND-III, a California Group Trust, and the California Regional Water Quality Control Board, recorded December 30, 1991, concerning the remedial action referred to above is incorporated herein by reference. The aforementioned recorded document affects that property at 3050 Coronado Drive and the parking lot adjacent thereto]. Tenant hereby acknowledges that Landlord has delivered or made available to Tenant, without representation as to accuracy or completeness, those certain environmental reports or studies referred to in Exhibit "D" attached hereto. Landlord hereby acknowledges and agrees that Tenant shall not be liable to Landlord for the clean up or remediation of, or cost to clean up or remediate, any Hazardous Materials existing on, in or under the Premises or the Common Area as of the Commencement Date of this Lease (unless Tenant or any of its Agents caused the Release of such pre-existing Hazardous Materials and/or Tenant or any of its Agents exacerbates the pre-existing environmental condition of the Premises or the Common Area, and in such latter case, Tenant shall only be liable to the extent of damages, losses, liabilities, costs or expenses incurred by Landlord as a result of such exacerbation of such pre-existing condition).

25.7 Environmental Assessments by Lender. Tenant shall permit any lender who has made or will make a loan secured by a deed of trust or

and/or real property comprising the Common Area, and/or such lender's agents, employees and consultants, to enter onto the Premises and/or the real property comprising the Common Area at reasonable times and with reasonable notice to Tenant in order to perform and/or cause to perform environmental testing and/or site assessments of such property, including, without limitation, Phase II environmental assessments, to the extent permitted under the deed or trust or mortgage and/or under any other loan documents executed in connection with such deed of trust or mortgage, provided that the performance and conduct of such environmental testing assessments shall not unreasonably interfere with Tenant's possession of the Premises or otherwise impede the conduct of Tenant's operations on the Premises and/or the real property comprising the Common Area.

25.8 Survival. The provisions of this Paragraph 25 shall survive any termination of the Lease.

26. Successors. Subject to the provisions of Paragraph 24 above and Paragraph 31.2(a) below, the covenants, conditions, and agreements contained in this Lease shall be binding on the parties hereto and on their respective heirs, successors and assigns.

27. Landlord Default; Mortgage Protection. 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. Any money judgment obtained by Tenant based upon Landlord's breach of this Lease shall be satisfied only out of the proceeds of the sale or disposition of Landlord's interest in the Premises (whether by Landlord or by execution of judgment) or the rents, issues or profits therefrom. In the event of any default on the part of Landlord under this Lease, Tenant shall give notice by registered or certified mail to any beneficiary of a deed of trust or any mortgagee of a mortgage affecting the Premises and/or the real property comprising the Common Area whose address shall have been furnished to Tenant, and shall offer such beneficiary or mortgagee a reasonable opportunity to cure the default, including time to obtain possession of the Premises by power of sale or judicial foreclosure, if such should prove necessary to effect a cure.

28. Exhibits. All exhibits attached to this Lease shall be deemed to be incorporated herein by the individual reference to each such exhibit, and all such exhibits shall be deemed to be a part of this Lease as though set forth in full in the body of the Lease.

29. Surrender of Lease Not 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 subtenants, or may, at the option of Landlord, operate as an assignment to Landlord of any or all such subleases or subtenants.

30. Waiver. The waiver by Landlord of any breach of any term, covenant or condition herein contained (or the acceptance by Landlord of any performance by Tenant after the time the same shall become due) shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach thereof or of any other term, covenant

or condition herein contained, unless otherwise expressly agreed to by Landlord in writing. The acceptance by Landlord of any sum less than that which is required to be paid by Tenant shall be deemed to have been received only on account of the obligation for which it is paid (or for which it is allocated by Landlord, in Landlord's absolute discretion, if Tenant does not designate the obligation as to which the payment should be credited), and shall not be deemed an accord and satisfaction notwithstanding any provisions to the contrary written on any check or contained in any letter of transmittal. The acceptance by Landlord of any sum tendered by a purported assignee or transferee of Tenant shall not be deemed a consent by Landlord to any assignment or transfer of

Tenant's interest herein. No custom or practice which may arise between the parties hereto in the administration of the terms of this Lease shall be construed as a waiver or diminution of Landlord's right to demand performance by Tenant in strict accordance with the terms of this Lease.

31. General.

31.1 Captions and Headings. The captions and paragraph headings used in this Lease are for convenience of reference only. They shall not be construed to limit or extend the meaning of any part of this Lease, and shall not be deemed relevant in resolving any question of interpretation or construction of any paragraph of this Lease.

31.2 Definitions.

(a) Landlord. The term Landlord as used in this Lease, so far as the covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner at the time in question of the fee title to the Premises. In the event of any transfer(s) of such interest, the Landlord herein named (and in case of any subsequent transfers or conveyances, the then grantor) shall have no further liability under this Lease to Tenant except as to matters of liability which have accrued and are unsatisfied as of the date of such transfer, it being intended that the covenants and obligations contained in this Lease on the part of Landlord shall be binding on Landlord and its successors and assigns only during and in respect of their respective periods of ownership of the fee; provided that any funds in the possession of Landlord or the then grantor and as to which Tenant has an interest, less any deductions permitted by law or this Lease, shall be turned over to the grantee. The covenants and obligations contained in this Lease on the part of Landlord shall, subject to the provisions of this Paragraph 31.2(a), be binding upon each Landlord and such Landlord's heirs, personal representatives, successors and assigns only during its respective period of ownership. Except as provided in this Paragraph 31.2(a), this Lease shall not be affected by any transfer of Landlord's interest in the Premises, and Tenant shall attorn to any transferee of Landlord provided that all of Landlord's obligations hereunder are assumed in writing by such transferee.

(b) Agents. For purposes of this Lease and without otherwise affecting the definition of the word "agent" or the meaning of an "agency", the term "agents" shall be deemed to include the agents, employees, officers, directors, servants, invitees, contractors, successors, representatives subcontractors, guests, customers, suppliers, partners,

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affiliated companies, and any other person or entity related in any way to the respective party, Tenant or Landlord.

(c) Interpretation of Terms. The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. Words in the neuter gender include the masculine and feminine and words in the masculine or feminine gender include the neuter.

31.3 Copies. Any executed copy of this Lease shall be deemed an original for all purposes.

31.4 Time of Essence. Time is of the essence as to each and every provision in this Lease requiring performance within a specified time, except as to the conditions relating to the delivery of possession of the Premises to Tenant.

31.5 Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Lease, but this Lease shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein. However, if Tenant's obligation to pay the Rentals is determined to be invalid or unenforceable, this Lease at the option of Landlord shall terminate.

31.6 Governing Law. This Lease shall be construed and enforced in accordance with the laws of the State of California.

31.7 Joint and Several Liability. If Tenant is more than one

person or entity, each such person or entity shall be jointly and severally liable for the obligations of Tenant hereunder. If Tenant is a husband and wife, the obligations hereunder shall extend to their sole and separate property as well as community property.

31.8 Construction of Lease Provisions. Although printed provisions of this Lease were prepared by Landlord, this Lease shall not be construed either for or against Tenant or Landlord, but shall be construed in accordance with the general tenor of the language to reach a fair and equitable result.

31.9 Conditions. All agreements by Tenant contained in this Lease, whether expressed as covenants or conditions, shall be construed to be both covenants and conditions, conferring upon Landlord, in the event of a breach thereof, the right to terminate this Lease.

31.10 Tenant's Financial Statements. Tenant hereby warrants that all financial statements delivered by Tenant to Landlord are true, correct, and complete, and prepared in accordance with generally accepted accounting principles. Tenant acknowledges and agrees that Landlord is relying on such financial statements in accepting this Lease, and that a breach of Tenant's warranty as to such financial statements shall constitute a Default by Tenant.

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31.11 Withholding of Landlord's Consent. Notwithstanding any other provision of this Lease, where Tenant is required to obtain the consent (whether written or oral) of Landlord to do any act, or to refrain from the performance of any act, Tenant agrees that if Tenant is in default with respect to any term, condition, covenant or provision of this Lease, then Landlord shall be deemed to have acted reasonably in withholding its consent if said consent is, in fact, withheld.

32. Signs. Tenant shall not place or permit to be placed any sign or decoration on the Common Area or the exterior of the Premises or that would be visible from the exterior of the Premises, without the prior written consent of Landlord, which consent may be withheld in Landlord's absolute discretion. The preceding sentence to the contrary notwithstanding, Landlord acknowledges that it has no objection to signage that is substantially similar to the signage currently located at 2972 Stender Way, identifying the Tenant or its business, provided such signage is otherwise in compliance with all recorded documents affecting the Property, including but not limited to any Declaration of Conditions, Covenants and Restrictions (as the same may be amended from time to time), and applicable statutes, ordinances, rules and regulations of governmental agencies having jurisdiction thereof. In no event shall any such sign revolve, rotate, move or create the illusion of revolving, rotating or moving or be internally illuminated and there shall be no exterior spotlighting or other illumination on any such sign. Tenant, upon written notice by Landlord, shall immediately remove any of Tenant's signs or decorations that are visible from the exterior of the Premises or that Tenant has placed or permitted to be placed on the Common Area or the exterior of the Premises without the prior written consent of Landlord. If Tenant fails to so remove such sign or decoration within five (5) days after Landlord's written notice, Landlord may enter the Premises and remove such sign or decoration and Tenant shall pay Landlord, as Additional Rent upon demand, the cost of such removal. All signs placed on the Premises or Common Area by Tenant shall comply with all recorded documents affecting the Premises, including but not limited to any Declaration of Conditions, Covenants and Restrictions (as the same may be amended from time to time); and applicable statutes, ordinances, rules and regulations of governmental agencies having jurisdiction thereof. At Landlord's option, Tenant shall at Lease Termination remove any sign which it has placed on the Premises or the Common Area, and shall, at its sole cost, repair any damage caused by the installation or removal of such sign.

33. Intentionally Omitted.

34. Landlord Not a Trustee. Landlord shall not be deemed to be a trustee of any funds paid to Landlord by Tenant (or held by Landlord for Tenant) pursuant to this Lease, including without limitation the Security Deposit. Landlord shall not be required to keep any such funds separate from Landlord's general funds. Any funds held by Landlord pursuant to this Lease shall not bear interest.

35. Interest. Any payment due from Tenant to Landlord, except for Rent

received by Landlord within thirty (30) days after the same is due, shall bear interest from the date of written notice from Landlord that such payment is past due, at an annual rate equal to the greater of: ten percent (10%); or five percent (5%) plus the rate established by the Federal Reserve Bank of

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San Francisco, as of the twenty-fifth (25th) day of the month immediately preceding the due date, on advances to member banks under Sections 13 and 13(a) of the Federal Reserve Act, as now in effect or hereafter from time to time amended. In addition, Tenant shall pay all costs and attorneys' fees incurred by Landlord in the collection of such amounts.

36. Surrender of Premises. On the last day of the Lease Term or upon the sooner termination of this Lease, Tenant shall, to the reasonable satisfaction of Landlord, surrender the Premises (excluding the HVAC units or system servicing the Building which shall be governed by the next sentence) to Landlord in the same condition as received (reasonable wear and tear excepted), but subject to Tenant's obligation to remove certain Alterations as provided in Paragraph 13.2 above and surrender such other Alterations with the Premises as provided in the last sentence of Paragraph 13.2. On the last day of the Lease Term or upon the sooner termination of this Lease, Tenant shall, to the reasonable satisfaction of Landlord surrender the air conditioning, ventilating and heating equipment (excluding the Older HVAC Units and any HVAC units that are not used by Tenant during the Lease Term) inspected, serviced and repaired by a reputable and licensed service firm. Tenant shall remove all of Tenant's personal property and trade fixtures from the Premises, and all property not so removed shall be deemed abandoned by Tenant. Furthermore, Tenant shall immediately repair all damage to the Premises and Common Area caused by any such removal. Landlord agrees to give Tenant written notice if Tenant left any personal property in the Premises following the expiration or earlier termination of the Lease Term. If the Premises are not so surrendered at Lease Termination in the condition required by this Paragraph 36, Tenant shall indemnify, defend and hold Landlord harmless from and against any loss, damage, expense, claim or liability resulting from delay by Tenant in so surrendering the Premises including, without limitation, any claims made by any succeeding tenant or losses to Landlord due to lost opportunities to lease to succeeding tenants.

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

38. Entire Agreement. Any agreements, warranties, or representations 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. This Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, whether written or oral, between Landlord and its agents and Tenant and its agents with respect to the Premises, Common Area or this Lease. This Lease constitutes the entire agreement between the parties hereto and no addition to, or modification of, any term or provision of this Lease shall be effective until and unless set forth in a written instrument signed by both Landlord and Tenant.

39. Submission of Lease. Submission of this instrument for Tenant's examination or execution does not constitute a reservation of space nor an option to lease. This instrument shall not be effective until executed by both Landlord and Tenant. Execution of this Lease by Tenant

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shall constitute an offer by Tenant to lease the Premises, which offer shall be deemed accepted by Landlord when this Lease is executed by Landlord and delivered to Tenant.

40. Quiet Enjoyment. Landlord covenants and agrees with Tenant that upon Tenant paying Rentals and performing its covenants and conditions under the Lease, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises for the Lease Term, subject, however, to the terms of this Lease and of

any mortgages or deeds of trust affecting the Premises and/or the real property comprising the Common Area, and the rights reserved by Landlord hereunder. Any purchaser upon any foreclosure or exercise of the power of sale under any mortgage or deed of trust made by Landlord and covering the Premises to whom Tenant attorns pursuant to Paragraph 20.4 above shall be bound by the terms of this Paragraph 40.

41. Authority. The undersigned parties hereby warrant that they have proper authority and are empowered to execute this Lease on behalf of the Landlord and Tenant, respectively. If Tenant is a corporation (or partnership), each individual executing this Lease on behalf of said corporation (or partnership) represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the by-laws of said corporation (or on behalf of said partnership in accordance with the partnership agreement of such partnership), and that this Lease is binding upon said corporation (or partnership) in accordance with its terms. If Tenant is a corporation, Tenant shall upon execution of this Lease, deliver to Landlord a certified copy of the resolution of the Board of Directors of said corporation authorizing or ratifying the execution of this Lease or a certificate of the Secretary of the said corporation confirming the power and authority of the signatories of this Lease (on behalf of Tenant) to execute and deliver this Lease on behalf of Tenant and to bind Tenant to its terms. In the event Tenant should fail to deliver such resolution or certificate to Landlord upon execution of this Lease, Landlord shall not be deemed to have waived its right to require delivery of such resolution or certificate, and at any time during the Lease Term Landlord may request Tenant to deliver the same, and Tenant agrees it shall thereafter promptly deliver such resolution or certificate to Landlord. If Tenant is a corporation, Tenant warrants that:

- (a) Tenant is a valid and existing corporation;
- (b) Tenant is qualified to do business in California;
- (c) All fees and all franchise and corporate taxes are paid to date, and will be paid when due;
- (d) All required forms and reports will be filed when due; and
- (e) The signers of this Lease are properly authorized to execute this Lease.

42. Building Plans. Tenant acknowledges that any plan of the Premises and Common Area which may have been displayed or furnished to Tenant or which may be a part of Exhibit "A" is tentative; Landlord may change the exterior of the Premises and the shape, size,

location, number, and extent of the Common Area improvements shown on any such plan and eliminate or add any improvements to the Common Area in Landlord's sole discretion; provided, however, that the Premises shall be substantially as shown on such plan, Tenant's use and enjoyment of the Premises shall not be unreasonably interfered with and any such change to the Common Area shall not unreasonably interfere with Tenant's parking rights under this Lease or access to the Premises.

IN WITNESS WHEREOF, the parties have executed this Lease effective as of the date set forth below.

LANDLORD:

SI HAHN LLC,
a California limited liability company

TENANT:

INTEGRATED DEVICE TECHNOLOGY
INTERNATIONAL, INC.,
a California corporation

By: _____
Sang Hahn
Title: Manager

By: _____

Title: _____

DATE: _____

By: _____

Title: _____

DATE _____

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EXHIBITS

- | | |
|---|--|
| A. Site Plan | Paragraph 1.4 (Premises shown cross-hatched and Common Area illustrated on such Site Plan) |
| B. Legal Description | Paragraph 2.1 |
| C. List of Permitted Hazardous Materials | Paragraph 25 |
| D. List of Environmental Reports | Paragraph 25.6 |
| E. Form of Subordination, Nondisturbance and Attornment Agreement | Paragraph 20.2 |
| F. Form of Estoppel Certificate | Paragraph 20.5 |
| G. HVAC Plan or List | Paragraph 2.2 (Showing location or identification of Older HVAC Units) |

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EXHIBIT C

LIST OF PERMITTED HAZARDOUS MATERIALS

[to be attached]

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EXHIBIT D

LIST OF ENVIRONMENTAL REPORTS

[to be attached]

-1-

EXHIBIT G

SITE HVAC PLAN OR LIST SHOWING LOCATION OR

IDENTIFICATION OF OLDER HVAC UNITS

[to be attached]

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NET LEASE AGREEMENT

(Single Tenant)

For and in consideration of the rentals, covenants, and conditions hereinafter set forth, Landlord hereby leases to Tenant, and Tenant hereby rents from Landlord, the herein described Premises for the term, at the rental and subject to and upon all of the terms, covenants and agreements set forth in this Net Lease Agreement ("Lease"):

1. Summary of Lease Provisions.

1.1 Tenant: Integrated Device Technology International, Inc., a California corporation ("Tenant").

1.2 Landlord: S.I. Hahn, LLC, a California limited liability company ("Landlord").

1.3 Date of Lease, for reference purposes only: February 16, 2000.

1.4 Premises: That certain building, consisting of forty eight thousand (48,000) rentable square feet of space, more or less, located at 2901 Coronado Drive, in the City of Santa Clara, County of Santa Clara, State of California, shown cross-hatched on the site plan attached hereto as Exhibit "A", together with certain rights appurtenant thereto. (Paragraph 2.1)

1.5 Term: Eight (8) years, unless earlier terminated in accordance with the terms of this Lease or extended pursuant to the terms of Paragraph 3.5 below. (Paragraph 3)

1.6 Commencement Date: May 1, 2000, subject to the provisions of Paragraph 3 below. (Paragraph 3)

1.7 Ending Date: April 30, 2008, subject to the provisions of Paragraph 3 below. (Paragraph 3)

1.8 Rent: (Paragraph 4)

Months Initial Lease Term -----	Monthly Rent NNN -----
1-12	\$86,400 (\$1.80 psf)
13-24	\$89,280 (\$1.86 psf)
25-36	\$92,160 (\$1.92 psf)
37-48	\$95,040 (\$1.98 psf)
49-60	\$97,920 (\$2.04 psf)
61-72	\$100,800 (\$2.10 psf)
73-84	\$103,680 (\$2.16 psf)

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85-96 \$106,650 (\$2.22 psf)

Receipt of the first month's Rent is hereby acknowledged by Landlord.

The monthly Rent to be paid during the first year of the Extended Term (as defined below) shall be determined in accordance with the terms of Paragraph 4.4. Every twelve calendar months during the Extended Term the monthly Rent shall be increased by an additional \$0.06 per rentable square foot comprising the Premises. The first such adjustment shall occur on the first day of the thirteenth month of the Extended Term. (Paragraph 4.4)

1.9 Use of Premises: light industrial and general office use (Paragraph 6)

1.10 Security Deposit: Zero Dollars (\$0.00)

1.11 Addresses for Notices:

To Landlord:

SI Hahn LLC
c/o SIH Investment, Inc.
21580 Stevens Creek Blvd., Suite 107
Cupertino, CA. 95014
Attn: Sang Hahn

To Tenant: To the Premises, with a courtesy copy to:

Integrated Device Technology International, Inc.
2975 Stender Way
Santa Clara, CA. 95054
Attn: General Counsel

1.12 Non-exclusive Right to Use No More than one hundred seventy-five (175) parking spaces within the Common Area. (Paragraph 2.1)

1.13 Summary Provisions in General. Parenthetical references in this Paragraph 1 to other paragraphs in this Lease are for convenience of reference, and designate some of the other Lease paragraphs where applicable provisions are set forth. All of the terms and conditions of each such referenced paragraph shall be construed to be incorporated within and are made a part of each of the above referring Summary of Lease Provisions. In the event of any conflict between any Summary of Lease Provision as set forth above and the balance of the Lease, the latter shall control.

2. Property Leased.

2.1 Premises. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, upon the terms and conditions herein set forth, that certain building ("Premises")

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referred to in Paragraph 1.4 above, shown cross-hatched on the site plan attached hereto as Exhibit "A". In addition, Tenant shall have the following rights with respect to the real property more particularly described in the legal description attached as Exhibit "B" hereto and excluding the buildings situated thereon ("Common Area"): (i) the non-exclusive right to use no more than the number of parking spaces set forth in Paragraph 1.12 above, within the Common Area (and not allocated for the exclusive use of another tenant of Landlord); and (ii) such other rights as are necessary and convenient to Tenant's possession of the Premises or performance of Tenant's obligations under this Lease. Landlord agrees that it will not overburden the parking areas comprising the Common Area by over-allocating the parking areas to other tenants of Landlord. In addition, Landlord grants to Tenant a non-exclusive easement for vehicular ingress and egress in and over the paved roadways in the Common Area and pedestrian ingress and egress in and over the Common Area.

Landlord reserves the right to grant to tenants of the buildings or improvements which now exist or may hereafter be constructed upon the Common Area or upon real property owned by Landlord adjacent to the Common Area, and to the agents, employees, servants, invitees, contractors, guests, employees, servants, invitees, contractors, guests, customers and representatives of such tenants or to any other user authorized by Landlord, the non-exclusive right to use the Common Area for pedestrian and vehicular ingress and egress and vehicular parking and the exclusive right to use parking spaces on the Common Area.

2.2 Replacement of HVAC Units. The parties hereto acknowledge and agree that there are five (5) HVAC units on the roof of the Building that are currently fifteen years old or older (the "Older HVAC Units"). Such Older HVAC Units are more particularly identified on the plan or list attached hereto as EXHIBIT "G" and made a part hereof. If any Older HVAC Unit fails and requires replacement or, using good business judgment, it becomes more cost effective to replace an Older HVAC Unit than to maintain or repair it, Landlord shall replace such applicable Older HVAC Unit(s) at Landlord's sole cost. The parties hereto acknowledge that there are HVAC units on the roof of the Building that Tenant is unlikely to use during the Lease Term (due to over capacity of the HVAC system servicing the Building) and it is the intention of the parties that Landlord not have to replace any HVAC units that will not be used by Tenant. Prior to the Commencement Date of the Lease, Landlord and Tenant shall enter into good faith

negotiations to attempt to agree on the HVAC units, if any, that Tenant will not be using during the Lease Term, and Landlord shall have the right, at Landlord's sole cost, and following not less than forty-eight hours prior notice to Tenant, to remove any such HVAC units that Tenants agree will not be used by Tenant during the Lease Term.

2.3 Acceptance of Premises. By taking possession of the Premises, Tenant shall be deemed to have accepted the Premises as being in good and sanitary order, condition and repair and to have accepted the Premises in their condition existing as of the date Tenant takes possession of the Premises, subject to all applicable laws, covenants, conditions, restrictions, easements and other matters of public record and the rules and regulations from time to time promulgated by Landlord governing the use of the Premises and Common Area, and further, to have accepted tenant improvements to be constructed by Landlord (if any) as being completed in accordance with the plans and specifications for such improvements, subject

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only to completion of items on Landlord's punch list. Prior to the Commencement Date, Landlord and Tenant shall complete a walk-through of the Premises and Landlord and Tenant shall agree on a punch list of any items (except HVAC units, the replacement of which shall be governed by the terms of Paragraph 2.2 above) within the Premises that are in need or repair or maintenance. Landlord agrees to repair or maintain such items that are on the agreed upon punch list, at Landlord's sole cost, within thirty (30) days following the Commencement Date (except that if such punch list items cannot reasonably be repaired or maintained with such thirty (30) day period, then Landlord shall commence such repair or maintenance of the punch list items within such thirty day period and diligently prosecute the same to completion). The preceding notwithstanding, Tenant does not waive any claims of latent defects that may exist in the Premises as of the Commencement Date, however, Landlord shall be under no obligation to repair any latent defect in the Premises existing as of the Commencement Date unless Tenant gives Landlord written notice of such defect prior to the date six months following the Commencement Date. Tenant acknowledges that, except as set forth in the following sentence, neither Landlord nor Landlord's agents have made any representation or warranty as to the suitability of the Premises for the conduct of Tenant's business, the condition of the Premises, or the use or occupancy which may be made thereof and Tenant has independently investigated and is satisfied that the Premises are suitable for Tenant's intended use and that the Premises meets all governmental requirements for such intended use. Landlord hereby represents to Tenant that, to Landlord's actual knowledge, the Premises are not in violation of any law, rule, regulation or ordinance applicable to the Premises.

The preceding paragraph notwithstanding, the parties hereto acknowledge that Landlord intends to undertake some seismic upgrades of the Premises in the future. As of the date of execution of this Lease, no plans or specifications for such seismic upgrades have been prepared, nor has Landlord determined the specific time or times when it may undertake such seismic upgrades. Any seismic upgrades performed by Landlord with respect to the Premises shall not unreasonably interfere with Tenant's use of the Premises. To Landlord's knowledge, such seismic upgrades contemplated to be performed by Landlord are not required to be performed to bring the Premises into compliance with applicable building codes or laws, and instead Landlord may elect to perform such seismic upgrades to further reduce its earthquake insurance premiums and to improve Landlord's ability to obtain financing or refinancing secured by the Premises. Landlord agrees that, if seismic upgrade of the Premises is required to bring the Premises into compliance with building codes applicable to the Premises at the time the Premises were initially constructed, then Landlord shall be responsible for such seismic upgrades and Tenant shall not be obligated to bear portion of the cost of such seismic upgrades.

If Tenant desires to construct or install, or cause to be constructed or installed, any alterations, additions or improvements to the Premises and, in connection with the same, seismic upgrades or structural reinforcement of the Premises, or portion thereof, are required and are directly and physically related to the alterations, additions or improvements to be constructed or installed, or caused to be constructed or installed, by Tenant, then Tenant shall bear one hundred percent (100%) of the cost of the seismic upgrades or structural reinforcement of the Premises so required. Except as provided in the immediately preceding sentence, Tenant shall not be obligated to pay for any seismic upgrades or structural reinforcement of the Premises, or any portion

thereof. If Tenant applies to a governmental agency for approval of, or issuance of a building permit in connection with, any proposed alteration, addition, or improvement to the Premises, or any portion thereof, and such governmental agency requires Tenant to undertake a seismic upgrade or structural reinforcement of the

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Premises, or any portion thereof, in connection with such proposed alteration, addition or improvement, then Tenant shall not be obligated to pay for the cost of such seismic upgrade or structural reinforcement unless the same is directly and physically related to the alteration, addition or improvement proposed to be undertaken by Tenant.

3. Term.

3.1 Commencement Date. The term of this Lease ("Lease Term") shall be for the period specified in Paragraph 1.5 above, commencing on the date set forth in Paragraph 1.6 ("Commencement Date"). The expiration of the Lease Term or sooner termination of this Lease is referred to herein as the "Lease Termination".

3.2 Delay of Commencement Date. Landlord shall not be liable for any damage or loss incurred by Tenant for Landlord's failure for whatever cause to deliver possession of the Premises by any particular date (including the Commencement Date), nor shall this Lease be void or voidable on account of such failure to deliver possession of the Premises; provided that if Landlord does not deliver possession of the Premises to Tenant by the date which is ninety (90) days following the date the Commencement Date of this Lease, Tenant shall have the right to terminate this Lease by written notice delivered to Landlord within ten (10) days thereafter, and Landlord and Tenant shall be relieved of their respective obligations hereunder. If the Commencement Date is delayed beyond the date set forth in Paragraph 1.6 above (i.e. May 1, 2000) because Landlord is not able to deliver possession of the Premises to Tenant on or before such date, then (i) Tenant shall not be obligated to pay Rent under this Lease until possession of the Premises is delivered to Tenant, (ii) the Commencement Date shall be extended to the date Landlord delivers possession of the Premises to Tenant (but in no event shall such Commencement Date be extended later than six months from May 1, 2000), and (iii) all dates that are keyed off of the Commencement Date (such as the Ending Date) shall be extended by the same number of days as the Commencement Date is extended.

3.3 Early Occupancy. Landlord hereby agrees that Tenant may enter the Premises prior to the Commencement Date (but only after the existing tenant or lessee has vacated the Premises) to install its phone and other communication systems therein, to fixturate and perform general clean up of the Premises, and to otherwise conduct Tenant's business in the Premises, and in the event Tenant so enters the Premises prior to the Commencement Date, Tenant shall do so subject to all the terms and conditions hereof except that Tenant shall not be obligated to pay Rentals provided for herein during such early occupancy period. Tenant shall be obligated to commence paying Rentals as of the Commencement Date of the Lease.

3.4 Intentionally Omitted.

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3.5 Option to Extend Term. Landlord hereby grants to Tenant one (1) option to extend the initial Lease Term for a period of Two (2) years (the "Extended Term"), on the following terms and conditions:

(a) Tenant shall give Landlord written notice of its exercise of the option to extend the Lease Term no earlier than nine months nor later than six (6) months before the date the Lease Term would end but for said exercise. Time is of the essence.

(b) Tenant may not extend the Lease Term pursuant to this Paragraph 3.5 if Tenant is in material default of any of its obligations under this Lease as of the date of Tenant's notice of exercise of the option (and such default has not been cured within the cure or grace period, if any, applicable to such default), or if Tenant shall have assigned or otherwise transferred its interest in this Lease and/or the Premises, whether or not

Landlord's consent to such assignment or transfer has been given, to any third party other than an Affiliate of Tenant (as described in Paragraph 24.5 below). If Tenant is in default under this Lease on the date that the applicable Extended Term is to commence, then Landlord may elect to terminate this Lease, notwithstanding any notice given by Tenant of an exercise of its option to extend and such exercise of Tenant's option to extend the Lease Term shall be void and of no force or effect.

(c) All terms and conditions of this Lease shall apply during the Extended Term, except that the monthly base Rent for the Extended Term shall be determined in accordance with Paragraph 4.4 below, Tenant shall have no further options to extend the Lease Term beyond the Extended Term described in this Paragraph 3.5 and Landlord shall have no obligation to construct or install any tenant improvements in the Premises for the benefit of the Tenant.

(d) Once Tenant delivers notice of its exercise of the option to extend the Lease Term, Tenant may not withdraw such exercise and, subject to the provisions of this Paragraph 3.5, such notice shall operate to extend the Lease Term. The preceding notwithstanding, if the Rent payable during the Extended Term is determined pursuant to Paragraph 4.4(b) below, and Tenant objects to the amount of such Rent as determined pursuant to such Paragraph 4.4(b), then Tenant may elect to rescind its extension notice by delivering to Landlord, within ten (10) days following the date Tenant is informed of the amount of Rent determined pursuant to Paragraph 4.4(b), (i) written notice of rescission, and (ii) an amount equal to the sum of (1) an amount equal to the appraisal costs paid or incurred by Landlord pursuant to the provisions of Paragraph 4.4(b) below, plus (2) the product obtained by multiplying (x) the monthly base Rent determined pursuant to Paragraph 4.4(b), by (y) six (6) (such sum being hereinafter referred to as the "Rescission Fee"). In the event such rescission notice is timely given and payment of such Rescission Fee is timely made, then the Lease Term shall expire on the date the Lease Term would otherwise have expired had Tenant not exercised its option to extend the Lease Term. Time is of the essence with respect to the delivery of the rescission notice and Rescission Fee. If Tenant does not deliver such rescission notice and Rescission Fee to Landlord within the ten (10) day period referred to above, then Tenant shall be deemed to have waived its right to rescind the extension notice. Upon the extension of the Lease Term pursuant to this Paragraph 3.5, the term "Term" as used in this Lease shall thereafter include the Extended

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Term and the Ending Date of this Lease shall be the expiration date of the Extended Term unless sooner terminated pursuant to the terms hereof.

4. Rent.

4.1 Rent. Tenant shall pay to Landlord as rent for the Premises ("Rent"), in advance, on the first day of each calendar month, commencing on the date specified in Paragraph 1.6 and continuing throughout the Lease Term, the Rent set forth in Paragraph 1.8 above. Rent and Operating Expenses shall be prorated, based on thirty (30) days per month, for any partial month during the Lease Term. Rent and Operating Expenses shall be payable without deduction, offset, prior notice or demand in lawful money of the United States to Landlord at the address herein specified for purposes of notice or to such other persons or such other places as Landlord may designate in writing.

4.2 Late Charge. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent will cause Landlord to incur costs not contemplated by this Lease, 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 Landlord by the terms of any mortgage or deed of trust covering the Premises. Accordingly, Tenant shall pay to Landlord, as Additional Rent (as defined in Paragraph 4.3 below), without the necessity of prior notice or demand, a late charge equal to five percent (5%) of any installment of Rent which is not received by Landlord within ten (10) days after the due date for such installment. The preceding notwithstanding, Landlord agrees that, with respect to the first late payment of Rent by Tenant in any twelve month period, Tenant shall not be obligated to pay a late charge on such delinquent Rent unless Tenant fails or refuses to pay such Rent within five (5) business days following receipt of written notice to Tenant. Except with respect to the first delinquency in the

payment of Rent in a twelve month period, Landlord shall not be obligated to give Tenant notice of delinquent Rent prior to imposing a late charge on such delinquent Rent. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any installment of Rent or prevent Landlord from exercising any right or remedy available to Landlord upon Tenant's failure to pay such installment of Rent when due, including without limitation the right to terminate this Lease. In the event any installment of Rent is not received by Landlord by the thirtieth (30th) day after the due date for such installment, such installment shall bear interest at the annual rate set forth in Paragraph 35 below, commencing on the thirty-first (31st) day after the due date for such installment and continuing until such installment is paid in full.

4.3 Additional Rent. All taxes, charges, costs and expenses and other sums which Tenant is required to pay hereunder (together with all interest and charges that may accrue thereon in the event of Tenant's failure to pay the same), and all damages, costs and expenses which Landlord may incur by reason of any Default by Tenant shall be deemed to be additional rent hereunder ("Additional Rent"). Additional Rent shall accrue commencing on the Commencement Date. In the event of nonpayment by Tenant of any Additional Rent, Landlord

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shall have all the rights and remedies with respect thereto as Landlord has for the nonpayment of Rent. The term "Rentals" as used in this Lease shall mean Rent and Additional Rent.

4.4 Rent During Extended Term. If Tenant elects to extend the Lease Term pursuant to Paragraph 3.5 above, the monthly base Rent for the first year of the Extended Term shall be in an amount equal to ninety-five percent (95%) of the fair market rental value of the Premises in relation to market conditions at the time of the commencement of the Extended Term (including, but not limited to, rental rates for comparable space with comparable tenant improvements in Santa Clara County as of the commencement of the Extended Term and taking into consideration any adjustments to rent based upon direct costs (operating expenses) and taxes, load factors, and/or cost of living or other rental adjustments; the relative strength of the tenants; the size of the space; and any other factors which affect market rental values at the time of the commencement of the Extended Term); however, the monthly base Rent during the first year of the Extended Term shall in no event be lower than Seventy-eight Thousand One Hundred Twenty Dollars (\$78,120) (NNN) per month.

(a) Mutual Agreement. After timely receipt by Landlord of Tenant's notice of exercise of the option to extend the Lease Term, but not sooner than the date which is nine (9) months prior to the expiration of the initial Lease Term, Landlord and Tenant shall have a period of fifteen (15) days in which to agree on the monthly base Rent to be paid during the first year of the Extended Term. If Landlord and Tenant agree on said monthly base Rent during that period, they shall immediately execute an amendment to this Lease stating the monthly base Rent for the first year of the Extended Term. If Landlord and Tenant are unable to agree on the monthly base Rent for the first year of the Extended Term as aforesaid, then the provisions of Subparagraph (b) below shall apply.

(b) Appraisal. Within ten (10) days after the expiration of the fifteen (15) day period described in Subparagraph (a) above, each party at its cost and by giving notice to the other party, shall appoint an M.A.I. real estate appraiser, with at least seven (7) years full-time commercial appraisal experience in Santa Clara County, to appraise and set the fair market rental value of the Premises. If a party does not appoint an appraiser within ten (10) days after the other party has given notice of the name of its appraiser, the single appraiser appointed shall be the sole appraiser and shall set the fair market rental value. The cost of such sole appraiser shall be borne equally by the parties. If two appraisers are appointed by the parties as provided in this Subparagraph (b), the two appraisers shall meet promptly in an attempt to set the fair market rental value. If they are unable to agree within twenty (20) days after the last appraiser has been appointed, then the two appraisers shall attempt to select a third appraiser meeting the qualifications stated in this Subparagraph (b) within ten (10) days after the last day the two appraisers are given to set the fair market rental value. If they are unable to agree on the third appraiser, either of the parties to this Lease, by giving ten (10) days notice to the other party, may apply to the presiding judge of the

Superior Court of Santa Clara County for the selection of a third appraiser who meets the qualifications stated above. Each of the parties shall bear one-half of the cost of appointing the third appraiser and of paying the third appraiser's fee. The third appraiser, however selected, shall be a person who has not previously acted in any capacity for either party. Within twenty (20) days after the selection of the third appraiser, the majority of the appraisers shall set the fair market rental

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value. If the majority of the appraisers are unable to set the fair market rental value within said twenty (20) day period, the three appraisals shall be added together and the total divided by three (3); the resulting quotient shall be the fair market rental value and shall be deemed incorporated herein; provided, however, that if any appraisal differs from the median appraisal by an amount equal to more than ten percent (10%) of such median appraisal, that appraisal shall be disregarded, and the average of the remaining appraisals (or the remaining appraisal) shall be the fair market rental value. In establishing the fair market rental value, the appraiser or appraisers shall consider the factors referred to in above in this Subparagraph (b), without regard to the existence of this Lease but taking into consideration the triple net nature of this Lease. The appraiser shall have the right to include adjustments to the monthly base Rent during the Extended Term as part of the fair market rental value of the Premises.

Every twelve calendar months during the Extended Term the monthly base Rent shall be increased by an additional \$0.06 per rentable square foot comprising the Premises. The first such adjustment shall occur on the first day of the thirteenth month of the Extended Term.

5. Intentionally Omitted.

6. Use of Premises.

6.1 Permitted Uses. Tenant shall use the Premises and the Common Area only in conformance with applicable Laws for the purposes set forth in Paragraph 1.9 above, and for no other purpose without the prior written consent of Landlord, which consent Landlord may withhold in its sole discretion. Any change in use of the Premises or the Common Area without the prior written consent of Landlord shall be a Default by Tenant. Tenant and Tenant's agents shall comply with the provisions of any Declaration of Covenants, Conditions, and Restrictions affecting the Premises and the Common Area.

6.2 Tenant to Comply with Legal Requirements. Tenant shall, at its sole cost (except as otherwise expressly provided in this Lease), promptly comply with all Laws relating to or affecting the use, occupational safety, occupancy or condition of the Premises or the Common Area, now in force, or which may hereafter be in force, including without limitation those relating to utility usage and load or number of permissible occupants or users of the Premises, whether or not the same are now contemplated by the parties; with the provisions of all recorded documents affecting the Premises or the Common Area insofar as the same relate to or affect the use, occupational safety, occupancy, or condition of the Premises or the Common Area; and with the requirements of any board of fire underwriters (or similar body now or hereafter constituted) relating to or affecting the use, occupational safety, occupancy or condition of the Premises or the Common Area. Tenant's obligations pursuant to this Paragraph 6.2 shall include without limitation maintaining or restoring the Premises and making structural and non-structural alterations and additions in compliance and conformity with all Laws and recorded documents relating to the use, occupational safety, occupancy or condition of the Premises during the Lease Term. At Landlord's option, Landlord may make the required alteration, addition or change, and Tenant shall pay the cost thereof as Additional Rent. If any portion of the Premises or Common Area is not in compliance with Laws as of the

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Commencement Date of this Lease, then Tenant shall not be responsible for bringing the Premises or Common Area into compliance, nor shall Tenant be obligated to pay any money to bring the Premises or Common Area into compliance. With respect to any structural alterations or additions as may be hereafter required due to a change in Laws and unrelated to (i) Tenant's specific use of the Premises or the Common Area, (ii) Tenant's alterations, additions or

improvements to the Premises, or (iii) Tenant's acts or omissions, Tenant shall be required to pay the amortized cost of such structural alteration or addition, which amount shall be determined as follows: (a) all costs paid by Landlord to construct such alteration or addition (including financing costs) shall be fully amortized over the useful life of such alteration or addition (as determined by Landlord in good faith) with interest on the unamortized balance at the prevailing market rate Landlord would pay if it borrowed funds to construct such alteration or addition from an institutional lender, and (b) as Additional Rent, Tenant shall pay the entire monthly amortized payment with respect to such structural alteration or addition. Tenant's obligation to make payments under the immediately preceding sentence with respect to any structural alteration or addition that is required due to a change in Laws and unrelated to (i) Tenant's specific use of the Premises or Common Area, (ii) Tenant's alterations, additions or improvements to the Premises, or (iii) Tenant's acts or omissions, shall commence when such alteration or addition has been substantially completed and shall cease upon the earlier of the expiration of the Lease Term (but not upon a termination due to any Default on the part of Tenant) or the end of the term over which the costs of constructing the particular alteration or addition were amortized. Payments of such Additional Rent shall be made concurrently with payments of Base Rent. Tenant shall pay 100% of the cost of any structural alteration or addition that is required due to a change in Laws and related to (i) Tenant's specific use of the Premises or Common Area, (ii) Tenant's alterations, additions or improvements to the Premises, and (iii) Tenant's acts or omissions. Tenant shall obtain prior to the Commencement Date any permits, licenses or other authorizations required for the lawful operation of its business at the Premises. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant, regardless of whether Landlord is a party thereto or not, that Tenant has violated such Law or recorded document relating to the use, occupational safety, occupancy or condition of the Premises or the Common Area shall be conclusive of the fact of such violation by Tenant. Any alterations or additions undertaken by Tenant pursuant to this Paragraph 6.2 shall be subject to the requirements of Paragraph 13.1 below.

6.3 Prohibited Uses. Tenant and Tenant's agents shall not commit or suffer to be committed any waste upon the Premises. Tenant and Tenant's agents shall not do or permit anything to be done in or about the Premises or Common Area which will in any way obstruct or interfere with the rights of any authorized users of the Common Area, or injure or annoy them. Tenant shall not conduct or permit any auction or sale open to the public to be held or conducted on or about the Premises or Common Area. Tenant and Tenant's agents shall not use or allow the Premises to be used for any unlawful or hazardous purpose or any purpose not permitted by this Lease, nor shall Tenant or Tenant's agents cause, maintain, or permit any nuisance in, on or about the Premises. Tenant and Tenant's agents shall not do or permit anything to be done in or about the Premises or Common Area nor bring or keep anything in the Premises or Common Area which will in any way increase the rate of any insurance upon the Premises or Common Area or any part thereof or any of its contents, or cause a cancellation of

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any insurance policy covering the Premises or Common Area or any part thereof or any of its contents, nor shall Tenant or Tenant's agents 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. In the event the rate of any insurance upon the Premises or Common Area or any part thereof or any of its contents is increased because of the acts or omissions of Tenant or Tenant's agents, Tenant shall pay, as Additional Rent, the full cost of such increase to the extent attributable solely to Tenant's or its agents' acts or omissions; provided however this provision shall in no event be deemed to constitute a waiver of Landlord's rights or remedies in connection with such increase. Tenant and Tenant's agents shall not place any loads upon the floor, walls or ceiling of the Premises which would endanger the Premises or the structural elements thereof, nor place any harmful liquids in the drainage system of the Premises. No waste materials or refuse shall be dumped upon or permitted to remain upon any part of the Premises or Common Area except in enclosed trash containers. No materials, supplies, equipment, finished products (or semi-finished products), raw materials, or other articles of any nature shall be stored upon, or be permitted to remain on, any portion of the Common Area.

Tenant shall not allow any activity which in the reasonable opinion of Landlord is detrimental to the operation of the Common Area or to tenants of

Landlord in other buildings located on the Common Area or upon real property owned by Landlord adjacent to the Common Area, including but not limited to any picketing, work stoppage, or other concerted activity. Landlord shall have the right to require Tenant, at Tenant's own expense and within a reasonable period of time, to use Tenant's commercially reasonable efforts to terminate or control any such picketing, work stoppage or other concerted activity to the extent necessary to eliminate any interference with the operation of the Common Area or such tenants. Failure by Tenant to use its commercially reasonable efforts to do so shall be a Default by Tenant. Nothing contained in this paragraph shall be construed as placing Landlord in an employer-employee relationship with any of Tenant's employees or with any other employees who may be involved in such activity.

6.4 Hazardous Materials. Neither Tenant nor Tenant's agents shall permit the introduction, placement, use, storage, manufacture, transportation, release or disposition (collectively "Release") of any Hazardous Material(s) (defined below) on or about any portion of the Premises or Common Area without the prior written consent of Landlord, which consent may be withheld in the sole and absolute discretion of Landlord without any requirement of reasonableness in the exercise of that discretion. Notwithstanding the immediately preceding sentence to the contrary, Tenant may use de minimis quantities of the types of materials which are technically classified as Hazardous Materials but commonly used in domestic or office use to the extent not in an amount, which, either individually or cumulatively, would be a "reportable quantity" under any applicable Law. Tenant covenants that, at its sole cost and expense, Tenant will comply with all applicable Laws with respect to the Release of such permitted Hazardous Materials. Any Release beyond the scope allowed in this paragraph shall be subject to Landlord's prior consent, which may be withheld in Landlord's sole and absolute discretion, and shall require an amendment to the Lease in the event Landlord does consent which shall set forth the materials, scope of use, indemnification and any other matter required by Landlord in Landlord's sole and absolute discretion. Tenant shall indemnify, defend and

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hold Landlord and Landlord's agents harmless from and against any and all claims, losses, damages, liabilities, or expenses arising in connection with the Release of Hazardous Materials by Tenant, Tenant's agents or any other person using the Premises during the Term of this Lease or during the term of Tenant's prior lease of the Premises. Tenant's obligation to defend, hold harmless and indemnify pursuant to this Paragraph 6 4 shall survive Lease Termination.

As used in this Lease, the term "Hazardous Materials" means any chemical, substance, waste or material which has been or is hereafter determined by any federal, state or local governmental authority to be capable of posing risk of injury to health or safety, including without limitation, those substances included within the definitions of "hazardous substances," "hazardous materials," "toxic substances," or "solid waste" under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Resource Conservation and Recovery Act of 1976, and the Hazardous Materials Transportation Act, as amended, and in the regulations promulgated pursuant to said laws; those substances defined as "hazardous wastes" in section 25117 of the California Health & Safety Code, or as "hazardous substances" in section 25316 of the California Health & Safety Code, as amended, and in the regulations promulgated pursuant to said laws; those substances listed in the United States Department of Transportation Table (49 CFR 172.101 and amendments thereto) or designated by the Environmental Protection Agency (or any successor agency) as hazardous substances (see, e.g., 40 CFR Part 302 and amendments thereto); such other substances, materials and wastes which are or become regulated or become classified as hazardous or toxic under any Laws, including without limitation the California Health & Safety Code, Division 20, and Title 26 of the California Code of Regulations; and any material, waste or substance which is (i) petroleum, (ii) asbestos, (iii) polychlorinated biphenyls, (iv) designated as a "hazardous substance" pursuant to section 311 of the Clean Water Act of 1977, 33 U.S.C. sections 1251 et seq. (33 U.S.C. ` 1321) or listed pursuant to section 307 of the Clean Water Act of 1977 (33 U.S.C. ` 1317), as amended; (v) flammable explosives; (vi) radioactive materials; or (vii) radon gas.

7. Taxes.

7.1 Personal Property Taxes. Tenant shall cause Tenant's trade fixtures, equipment, furnishings, furniture, merchandise, inventory, machinery,

appliances and other personal property installed or located on the Premises (collectively the "personal property") to be assessed and billed separately from the Premises. Tenant shall pay before delinquency any and all taxes, assessments and public charges levied, assessed or imposed upon or against Tenant's personal property. If any of Tenant's personal property shall be assessed with the real property comprising the Common Area or with the Premises, Tenant shall pay to Landlord, as Additional Rent, the amounts attributable to Tenant's personal property within ten (10) days after receipt of a written statement from Landlord setting forth the amount of such taxes, assessments and public charges attributable to Tenant's personal property. Tenant shall comply with the provisions of any Law which requires Tenant to file a report of Tenant's personal property located on the Premises.

7.2 Other Taxes Payable Separately by Tenant. Tenant shall pay, prior to delinquency, all privilege, sales, excise, use, business, occupation, or other taxes, assessments,

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license fees or charges levied, assessed or imposed upon Tenant's business operations conducted at the Premises.

7.3 Common Taxes.

(a) Definition of Taxes. The term "Taxes" as used in this Lease shall collectively mean (to the extent any of the following are not paid by Tenant pursuant to Paragraphs 7.1 and 7.2 above) all real estate taxes and general and special assessments (including, but not limited to, assessments for public improvements or benefit); personal property taxes; taxes based on vehicles utilizing parking areas on the Common Area; taxes computed or based on rental income or on the square footage of the Premises (including without limitation any municipal business tax but excluding federal, state and municipal net income taxes); taxes upon, allocable to, or measured by the area of the Premises or the Rentals payable hereunder, including without limitation any gross income, gross receipts, excise, or other tax levied by the state, any political subdivision thereof, city or federal government with respect to the receipt of such Rentals (but excluding federal, state and municipal net income taxes); taxes upon or with respect to the use, possession, occupancy, leasing, operation and management of the Premises or any portion thereof; taxes upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises; taxes imposed as a means of controlling or abating environmental pollution or the use of energy or any natural resource (including without limitation gas, electricity or water), including, without limitation, any parking taxes, levies or charges or vehicular regulations imposed by any governmental agency; environmental surcharges; excise taxes; gross receipts taxes; sales and/or use taxes; employee taxes; water and sewer taxes, levies, assessments and other charges in the nature of taxes or assessments (including, but not limited to, assessments for public improvements or benefit); and all other governmental, quasi-governmental or special district impositions of any kind and nature whatsoever (excluding utility hook-up fees); regardless of whether any of the foregoing are now customary or within the contemplation of the parties hereto and regardless of whether resulting from increased rate and/or valuation, or whether extraordinary or ordinary, general or special, unforeseen or foreseen, or similar or dissimilar to any of the foregoing and which during the Lease Term are laid, levied, assessed or imposed upon Landlord and/or become a lien upon or chargeable against the Premises and/or Common Area under or by virtue of any present or future laws, statutes, ordinances, regulations, or other requirements of any governmental, quasi-governmental or special district authority whatsoever. The term "Taxes" shall not include reimbursement to Landlord of Landlord's net income taxes, succession, transfer, gift, franchise, estate or inheritance taxes, but shall include any increases in taxes based upon any change of ownership of the Premises or Common Area. The term "environmental surcharges" shall include any and all expenses, taxes, charges or penalties imposed by the Federal Department of Energy, Federal Environmental Protection Agency, the Federal Clean Air Act, or any regulations promulgated thereunder, or imposed by any other local, state or federal governmental agency or entity now or hereafter vested with the power to impose taxes, assessments or other types of surcharges as a means of controlling or abating environmental pollution or the use of energy or any natural resource in regard to the use, operation or occupancy of the Premises and/or the Common Area. The term "Taxes" shall include (to the extent the same are not paid by Tenant pursuant to Paragraphs 7.1 and 7.2 above), without

limitation, all taxes, assessments, levies, fees, impositions or charges levied, imposed, assessed, measured, or based in any manner whatsoever upon or with respect to the use, possession, occupancy, leasing, operation or management of the Premises and/or Common Area or in lieu of or equivalent to any Taxes set forth in this Paragraph 7.3(a). In the event any such Taxes are payable by Landlord and it shall not be lawful for Tenant to reimburse Landlord for such Taxes, then the Rentals payable hereunder shall be increased to net Landlord the same net Rental after imposition of any such Tax upon Landlord as would have been payable to Landlord prior to the imposition of any such Tax.

(b) Operating Expenses. All Taxes which are levied or assessed or which become a lien upon the Premises and/or Common Area or which become due or accrue during the Lease Term shall be an Operating Expense, and Tenant shall pay as Additional Rent each month during the Lease Term 1/12th of such Taxes, based on Landlord's estimate thereof, pursuant to Paragraph 12 below. Taxes during any partial tax fiscal year(s) within the Lease Term shall be prorated according to the ratio which the number of days during the Lease Term or of actual occupancy of the Premises by Tenant, whichever is greater, during such year bears to 365.

8. Insurance; Indemnity; Waiver.

8.1 Insurance by Landlord.

(a) Landlord shall, during the Lease Term, procure and keep in force the following insurance, the cost of which shall be an Operating Expense (subject to the limitation on earthquake insurance premium pass-throughs as provided below), payable by Tenant pursuant to Paragraph 12 below:

(i) Property Insurance. "All risk" property insurance, including, without limitation, coverage for boiler and machinery (if applicable); sprinkler damage; vandalism; malicious mischief; full coverage plate glass insurance; and demolition, increased cost of construction and contingent liability from change in building laws on the Premises and Common Area, including any improvements or fixtures constructed or installed on the Premises and Common Area by Landlord. Such insurance shall be in the full amount of the replacement cost of the foregoing, with reasonable deductible amounts, which deductible amounts shall be an Operating Expense, payable by Tenant pursuant to Paragraph 12. Such insurance shall also include rental income insurance, insuring that one hundred percent (100%) of the Rentals (as the same may be adjusted hereunder) will be paid to Landlord for a period of up to twelve (12) months if the Premises are destroyed or damaged, or such longer period as may be required by any beneficiary of a deed of trust or any mortgagee of any mortgage affecting the Premises. Such "all risk" insurance may, at Landlord's election, include coverage for earthquake and/or flood. Landlord agrees that the annual earthquake insurance premium to be included as an Operating Expense (and allocable solely to the Premises) shall not exceed Eight Thousand Eight Hundred Fifty-seven and 65/100 Dollars (\$8,857.65) per year, as such \$8,857.65 shall be increased by five percent (5%) per year during the Lease Term, including, the Extended Term. Such property insurance maintained by Landlord shall not cover any leasehold

improvements installed in the Premises by Tenant at its expense, or Tenant's equipment, trade fixtures inventory, fixtures or personal property located on or in the Premises;

(ii) Liability Insurance. Comprehensive general liability (lessor's risk) insurance against any and all claims for personal injury, death or property damage occurring in or about the Premises or Common Area. Such insurance shall have a combined single limit of not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate; and

(iii) Other. Such other insurance as Landlord deems reasonably necessary and prudent (as long as available at commercially reasonable premiums).

8.2 Insurance by Tenant. Tenant shall, during the Lease Term, at Tenant's sole cost and expense, procure and keep in force the following insurance:

(a) Personal Property Insurance. "All risk" property insurance, including, without limitation, coverage for boiler and machinery (if applicable); sprinkler damage; vandalism; malicious mischief; and demolition, increased cost of construction and contingent liability from changes in building laws on all leasehold improvements installed in the Premises by Tenant at its expense (if any) and on all equipment, trade fixtures, inventory, fixtures and personal property located on or in the Premises, including improvements or fixtures hereinafter constructed or installed on the Premises. Such insurance shall be in an amount equal to the full replacement cost of the aggregate of the foregoing and shall provide coverage comparable to the coverage in the standard ISO all risk form, when such form is supplemented with the coverages required above.

(b) Liability Insurance. Comprehensive general liability insurance for the mutual benefit of Landlord and Tenant, against any and all claims for personal injury, death or property damage occurring in or about the Premises and Common Area, or arising out of Tenant's or Tenant's agents' use of the Common Area, use or occupancy of the Premises or Tenant's operations on the Premises. Such insurance shall have a combined single limit of not less than Three Million Dollars (\$3,000,000) per occurrence and Five Million Dollars (\$5,000,000) aggregate. Such insurance shall contain a cross-liability (severability of interests) clause and an extended ("broad form") liability endorsement, including blanket contractual coverage. The minimum limits specified above are the minimum amounts required by Landlord, and may be revised by Landlord from time to time to meet changed circumstances, including without limitation to reflect (i) changes in the purchasing power of the dollar, (ii) changes indicated by the amount of plaintiffs' verdicts in personal injury actions in the State of California, or (iii) changes consistent with the standards required by other landlords in the county in which the Premises are located. Such liability insurance shall be primary and not contributing to any insurance available to Landlord, and Landlord's insurance (if any) shall be in excess thereto. Such insurance shall specifically insure Tenant's performance of the indemnity, defense and hold harmless agreements contained in Paragraph 8.4, although Tenant's obligations pursuant to Paragraph 8.4 shall not be limited to the amount of any insurance

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required of or carried by Tenant under this Paragraph 8.2(b). Tenant shall be responsible for insuring that the amount of insurance maintained by Tenant is sufficient for Tenant's purposes.

(c) Other. Such other insurance as required by law, including, without limitation, workers' compensation insurance.

(d) Form of the Policies. The policies required to be maintained by Tenant pursuant to Paragraphs 8.2(a), (b), and (c) above shall be with companies, on forms, with deductible amounts (if any), and loss payable clauses satisfactory to Landlord, shall include Landlord and the beneficiary or mortgagee of any deed of trust or mortgage encumbering the Premises and/or the real property comprising the Common Area as additional insureds, and shall provide that such parties may, although additional insureds recover for any loss suffered by Tenant's negligence. Certified copies of policies or certificates of insurance shall be delivered to Landlord prior to the Commencement Date: a new policy or certificate shall be delivered to Landlord at least thirty (30) days prior to the expiration date of the old policy. Tenant shall have the right to provide insurance coverage which it is obligated to carry pursuant to the terms hereof in a blanket policy, provided such blanket policy expressly affords coverage to the Premises and to Tenant as required by this Lease. Tenant shall obtain a written obligation on the part of Tenant's insurer(s) to notify Landlord and any beneficiary or mortgagee of a deed of trust or mortgage encumbering the Premises and/or the real property comprising the Common Area in writing of any delinquency in premium payments and at least thirty (30) days prior to any cancellation or modification of any policy. Tenant's policies shall provide coverage on an occurrence basis and not on a claims made basis. In no event shall the limits of any policies maintained by Tenant be considered as limiting the liability of Tenant under this Lease.

8.3 Failure by Tenant to Obtain Insurance. If Tenant does not

take out the insurance required pursuant to Paragraph 8.2 or keep the same in full force and effect, Landlord may, but shall not be obligated to, take out the necessary insurance and pay the premium therefor, and Tenant shall repay to Landlord, as Additional Rent, the amount so paid promptly upon demand. In addition, Landlord may recover from Tenant and Tenant agrees to pay, as Additional Rent, any and all reasonable expenses (including attorneys' fees) and damages which Landlord may sustain by reason of the failure of Tenant to obtain and maintain such insurance, it being expressly declared that the expenses and damages of Landlord shall not be limited to the amount of the premiums thereon.

8.4 Indemnification Tenant shall indemnify, hold harmless, and defend Landlord (except to the extent of the negligence or willful misconduct of Landlord or Landlord's agents, employees or contractors) against all claims, losses, damages, actions, causes of action, penalties, demands, expenses or liabilities for injury or death to any person or for damage to or loss of use of any property arising out of any occurrence in, on or about the Premises or Common Area, if and to the extent caused or contributed to by Tenant or Tenant's agents, employees or contractors or arising out of any occurrence in, upon or at the Premises or on account of the use, condition, occupational safety or occupancy of the Premises. Tenant's indemnification, defense and hold harmless obligations under this Lease shall include and apply to attorneys' fees, investigation costs, and other costs actually incurred by Landlord. Tenant

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shall further indemnify, defend and hold harmless Landlord from and against any and all claims, losses, damages, liabilities or expenses arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease. The provisions of this Paragraph 8.4 shall survive Lease Termination with respect to any damage, injury, death, breach or default occurring prior to such termination. This Lease is made on the express condition that Landlord shall not be liable (in the absence of the negligence or willful misconduct of Landlord or Landlord's agents, employees or contractors) for, or suffer loss by reason of, injury to person or property, from whatever cause, in any way connected with the condition, use, occupational safety or occupancy of the Premises specifically including, without limitation, any liability for injury to the person or property of Tenant or Tenant's agents. Anything in this Lease to the contrary notwithstanding, under no circumstances shall Landlord be liable to Tenant for any claims of lost profits, loss of business or lost income.

8.5 Claims by Tenant. Landlord shall not be liable to Tenant, and Tenant waives all claims against Landlord, for injury or death to any person, damage to any property, or loss of use of any property in the Premises or Common Area by and from all causes, including without limitation, any defect in the Premises or Common Area and/or any damage or injury resulting from fire, steam, electricity, gas, water or rain, which may leak or flow from or into any part of the Premises, or from breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, whether the damage or injury results from conditions arising upon the Premises or Common Area or from other sources. Landlord shall not be liable for any damages arising from any act or neglect of any other user of the Common Area. Tenant or Tenant's agents shall immediately notify Landlord in writing of any known defect in the Premises or Common Area. The provisions of this Paragraph 8.5 shall not apply to any damages, claims, losses, actions, causes of action, penalties, demands, expenses, liabilities or injuries caused by the negligence or willful misconduct of Landlord's agents, employees or contractors; provided, however, under no circumstances shall Landlord be liable to Tenant for claims of lost profits, loss of business or lost income.

8.6 Mutual Waiver of Subrogation. Landlord hereby releases Tenant, and Tenant hereby releases Landlord, and their respective officers, agents, employees and servants, from any and all claims or demands of damages, loss, expense or injury to the Premises or the Common Area, or to the furnishings, fixtures, equipment, inventory or other property of either Landlord or Tenant in, about or upon the Premises or the Common Area, which is caused by or results from perils, events or happenings which are the subject of insurance carried by the respective parties pursuant to this Paragraph 8 and in force at the time of any such loss, whether due to the negligence of the other party or its agents and regardless of cause or origin; provided, however, that such waiver shall be effective only to the extent permitted by the insurance covering such loss, to the extent such insurance is not prejudiced thereby, and to the extent insured against.

9. Utilities. Landlord agrees to provide, at its cost, water, electricity and telephone service connections into the Premises; but Tenant shall pay during the Lease Term and prior to delinquency all charges for water, gas, light, heat, power, electricity, telephone or other

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communication service, janitorial service, trash pick-up, sewer and all other services supplied to or consumed on the Premises (collectively the "Services") and all taxes, levies, fees or surcharges therefor. Tenant shall arrange for Services to be supplied to the Premises and shall contract for all of the Services in Tenant's name prior to the Commencement Date. The Commencement Date shall not be delayed by reason of any failure by Tenant to so contract for Services. In the event that any of the Services cannot be separately billed or metered to the Premises, or if any of the Services are not separately metered as of the Commencement Date, the cost of such Services shall be an Operating Expense and Tenant shall pay such cost to Landlord, as Additional Rent, as provided in Paragraph 12 below, except that Tenant's proportionate share of such Services shall be the percentage obtained by dividing the gross leasable square footage contained in the Premises by the total gross leasable square footage located in all buildings utilizing such Services. The lack or shortage of any Services due to any cause whatsoever shall not affect any obligation of Tenant hereunder, and Tenant shall faithfully keep and observe all the terms, conditions and covenants of this Lease and pay all Rentals due hereunder, all without diminution, credit or deduction. The immediately preceding sentence to the contrary notwithstanding, Landlord agrees that if Services are curtailed or suspended to the Premises as a result of the acts or negligence or willful misconduct of Landlord for a period of forty-eight (48) consecutive hours during the Lease Term, then Tenant's Rent payable hereunder shall be equitably abated to the extent such curtailment or suspension of Services interferes with Tenant's use of the Premises (as reasonably determined by Landlord and Tenant) following such forty-eight (48) hour period until such Services are restored.

10. Repairs and Maintenance.

10.1 Landlord's Responsibilities. Subject to the provisions of Paragraph 15 below, Landlord shall maintain in reasonably good order and repair the structural roof and roof surface, structural (i.e. load bearing) and exterior walls (including painting thereof) and foundations of the Premises, except for any repairs required because of the wrongful act of Tenant or Tenant's agents, which repairs shall be made at the expense of Tenant and as Additional Rent. Tenant shall give prompt written notice to Landlord of any known maintenance work required to be made by Landlord pursuant to this Paragraph 10.1. The costs of repairs and maintenance which are the obligation of Landlord hereunder shall be an Operating Expense and Tenant shall pay such costs to Landlord as Additional Rent, as provided in Paragraph 12 below.

To the extent any labor dispute in which Tenant is involved or of which Tenant is the object interferes with the performance of Landlord's duties hereunder, Landlord shall be excused from the performance of such duties and Tenant hereby waives any and all claims against Landlord for damages or losses in regard to such duties.

10.2 Tenant's Responsibilities. Except as expressly provided in Paragraph 10.1 above, Tenant shall, at its sole cost, maintain the entire Premises and every part thereof, including without limitation, windows, skylights, window frames, plate glass, freight docks, doors and related hardware, interior walls and partitions, and the electrical, plumbing, lighting, heating and air conditioning systems in good order, condition and repair. Tenant shall deliver to

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Landlord, every six (6) months during the Lease Term, a certificate of maintenance or its equivalent, signed by a licensed HVAC repair and maintenance contractor and stating that the heating and air conditioning systems servicing the Premises have been inspected, serviced and are in good order, condition and repair. Tenant's failure to deliver said certificate or its equivalent within thirty (30) days following written notice from Landlord that said certificate is past due shall be a Default by Tenant. If Tenant fails to make repairs or

perform maintenance work required of Tenant hereunder within fifteen (15) days after notice from Landlord specifying the need for such repairs or maintenance work, Landlord or Landlord's agents may, in addition to all other rights and remedies available hereunder or by law and without waiving any alternative remedies, enter into the Premises and make such repairs and/or perform such maintenance work. If Landlord makes such repairs and/or performs such maintenance work, Tenant shall reimburse Landlord upon demand and as Additional Rent, for the cost of such repairs and/or maintenance work. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant or Tenant's agents as a result of Landlord performing any such repairs or maintenance (unless such damage, inconvenience or interference is caused by the gross negligence or willful misconduct of Landlord or its agents, employees or contractors); provided, however, under no circumstances shall Landlord be liable to Tenant for claims of lost profits, loss of business or lost income. Tenant shall reimburse Landlord, on demand and as Additional Rent, for the cost of damage to the Premises and/or Common Area caused by Tenant or Tenant's agents, employees or contractors. Tenant expressly waives the benefits of any statute now or hereafter in effect (including without limitation the provisions of subsection 1 of Section 1932, Section 1941 and Section 1942 of the California Civil Code and any similar law, statute or ordinance now or hereafter in effect) which would otherwise afford Tenant the right to make repairs at Landlord's expense (or to deduct the cost of such repairs from Rentals due hereunder) or to terminate this Lease because of Landlord's failure to keep the Premises in good and sanitary order.

11. Common Area.

11.1 In General. Subject to the terms and conditions of this Lease and such rules and regulations as Landlord may from time to time prescribe, Tenant and Tenant's agents shall have the nonexclusive right to use during the Lease Term the access roads, sidewalks, landscaped areas and other facilities on the Common Area. This right to use the Common Area shall terminate upon Lease Termination. Neither Tenant nor Tenant's agents shall at any time park or permit the parking of their vehicles in any portion of the Common Area not designated by Landlord as a parking area.

Landlord reserves the right from time to time to make changes in the shape, size, location, amount and extent of the Common Area. Landlord further reserves the right to promulgate such reasonable rules and regulations relating to the use of all or any portion of the Common Area and to amend such rules and regulations from time to time, with or without advance notice, as Landlord may deem appropriate. Any amendments to the rules and regulations shall be effective as to Tenant, and binding on Tenant, upon delivery of a copy of such rules and regulations to Tenant. Landlord agrees to apply such rules and regulations, and all amendments thereto, in a non-discriminatory manner. Tenant and Tenant's agents shall observe such rules

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and regulations and any failure by Tenant or Tenant's agents to observe and comply with the rules and regulations shall be a Default by Tenant. Landlord shall not be responsible for the nonperformance of the rules and regulations by any tenants or occupants of the buildings or improvements which now exist or may hereafter be constructed upon the Common Area or upon the real property owned by Landlord adjacent to the Common Area or by any other user authorized by Landlord.

Landlord furthermore reserves the right, after having given Tenant reasonable notice, to have any vehicles owned by Tenant or Tenant's agents which are parked in violation of the provisions of this Paragraph 11.1 or in violation of Landlord's rules and regulations relating to parking, to be towed away at the expense of the owner of the vehicle so towed.

Landlord shall have the right to close, at reasonable times, all or any portion of the Common Area for any reasonable purpose, including without limitation, the prevention of a dedication thereof, or the accrual of rights of any person or public therein; however, such closure of the Common Area shall not unreasonably impair Tenant's access to the Premises, Tenant's parking rights as described in this Lease or Tenant's use of the Premises.

11.2 Maintenance by Landlord. Landlord shall operate, manage and maintain the Common Area in good condition and repair and shall manage or cause to be managed the Common Area to reasonable and customary standards. The

cost of such maintenance, operation and management, shall be an "Operating Expense", and Tenant shall pay such costs to Landlord, as Additional Rent, as provided in Paragraph 12 below.

12. Operating Expenses.

12.1 Definition. "Operating Expense" or "Operating Expenses" as used in this Lease shall mean and include all items identified in other paragraphs of this Lease as an Operating Expense and the total reasonable cost paid or incurred by Landlord for the operation, maintenance, repair, and management of the Premises and Common Area, which costs shall include, without limitation: the cost of Services and utilities supplied to the Premises and Common Area (to the extent the same are not separately charged or metered to Tenant); water; sewage; fuel; electricity; lighting systems; professional management fee (not to exceed four percent (4%) of the Premises' gross rental income); fire protection systems; storm drainage and sanitary sewer systems; HVAC including air conditioning (to the extent the heating and air conditioning systems in the Premises are not maintained by Tenant at Tenant's sole cost and expense); repairing the roof structure and roof surface; maintenance and repair of the structural parts of the Premises (including foundation, floor slab and load bearing walls); property and liability insurance covering the Premises and any other insurance carried by Landlord pursuant to Paragraph 8 above; cleaning, sweeping, striping, resurfacing of parking and driveway areas; cleaning the Common Area following storms or other severe weather; cleaning and repairing of sidewalks, curbs, stairways; costs related to irrigation systems; the cost of complying with Laws, including, without limitation, maintenance, alterations and repairs required in connection therewith; the cost of capital improvements made to the Common Area amortized over the useful life of such capital improvements (with interest on the unamortized balance at the

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prevailing market rate Landlord would pay if it borrowed funds to construct such improvements from an institutional lender); costs related to landscape maintenance; and the cost of contesting the validity or applicability of any governmental enactments which may affect Operating Expenses. Because the Common Area is used by more than one (1) building during the Lease Term, the term "Operating Expenses" shall mean and include all of the Operating Expenses allocable to the Premises and a proportionate share (based on the square footage of gross leasable area in the Premises as a percentage of the total of square footage of gross leasable area of the buildings utilizing the Common Area at the time in question) of all Operating Expenses which are related to such buildings in general and are not allocated to any one building utilizing the Common Area. As of the date of execution of this Lease, the percentage that the square footage of gross leasable area in the Premises bears to the total square footage of gross leasable area of the buildings utilizing the Common Area is twenty-two and fourteen hundredths percent (22.14%). Operating Expenses shall also include an accounting and administrative fee equal to three percent (3%) of the total Operating Expenses (excluding Taxes and insurance premiums). The specific examples of Operating Expenses stated in this Paragraph 12.1 are in no way intended to and shall not limit the costs comprising Operating Expenses, nor shall such examples be deemed to obligate Landlord to incur such costs or to provide such services or to take such actions except as Landlord may be expressly required in other portions of this Lease, or except as Landlord, in its sole discretion, may elect. All costs incurred by Landlord in good faith for the operation, maintenance, repair and management of the Premises and Common Area shall be deemed conclusively binding on Tenant.

12.1.1 Operating Expense Exclusions. Notwithstanding anything to the contrary contained in this Lease, in no event shall Tenant have any obligation to perform, to pay directly, or to reimburse Landlord for, all or any portion of the following repairs, maintenance, improvements, replacements, premiums, claims, losses, fees, commissions, charges, disbursements, attorneys' fees, experts' fees, costs and expenses (collectively, "Costs"):

(a) Losses Caused by Others and Construction Defects. Costs occasioned by the act, omission or violation of Law by Landlord or its agents, employees or contractors, or costs arising out of the failure to construct the Building, Premises, tenant improvements installed by Landlord in the Premises, if any, or Common Areas in accordance with Laws and private restrictions applicable at the time of construction thereof.

(b) Condemnation and Insurance Costs. Costs

occasioned by the exercise of the power of eminent domain, or increases in insurance Costs caused by the activities of other tenants of buildings in the Coronado Stender Project.

(c) Reimbursable Expenses. Costs for which Landlord has a right of reimbursement from others, or Costs which Tenant pays directly to a third person.

(d) Reserves. Depreciation, amortization or other expense reserves.

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(e) Mortgages. Interest, charges and fees incurred on debt, payments or mortgages and rent under ground leases.

(f) Hazardous Materials. Costs incurred to investigate the presence of any Hazardous Material, Costs to respond to any claim of Hazardous Material contamination or damage, Costs to remove any Hazardous Material from the Premises or Common Area or to remediate any Hazardous Material contamination, and any judgments or other Costs incurred in connection with any Hazardous Material exposure or release, except to the extent such Costs are incurred by Landlord in accordance with Paragraph 6.4 or incurred by Landlord or caused by reason of the storage, use or disposal of the Hazardous Material in question by Tenant, its agents, employees, contractors or invitees.

(g) Management. Any fee, profit or compensation retained by Landlord or its affiliates for management and administration of the Premises or Common Area in excess of the management fee and accounting fee specified in Paragraph 12.1 above.

(h) Violations. The cost of correcting any code violations that occurred prior to the Commencement Date of the Lease Term.

(i) Benefits. Wages, salaries or other compensation paid to any executive employees above the grade of building manager.

12.2 Payment of Operating Expenses by Tenant. Tenant shall pay the Operating Expenses to Landlord as Additional Rent and without deduction or offset. Upon reasonable written request made by Tenant to Landlord, Landlord shall provide Tenant with copies of invoices supporting the charges of Operating Expenses; however, Tenant shall pay for the reasonable costs incurred by Landlord in making copies of such invoices and the failure of Landlord, if applicable, to timely furnish copies of such invoices to Tenant shall not excuse or relieve Tenant of its obligation to pay Operating Expenses in accordance with the terms of this Lease. Tenant's payment of Operating Expenses shall be based upon Landlord's estimate of Operating Expenses and shall be payable in equal monthly installments in advance on the first day of each calendar month commencing with the month following receipt of Landlord's estimate (and subject to Landlord's right to change the method of payment or right to change Landlord's estimate not more often than once in any calendar year). Within one hundred twenty (120) days after the end of each calendar year (or at Lease Termination), or as soon thereafter as practicable under the circumstances, Landlord shall furnish Tenant a statement showing the actual Operating Expenses for the period to which Landlord's estimate pertains and shall concurrently either bill Tenant for the balance due (payable upon demand by Landlord) or credit Tenant's account for the excess previously paid (except if such statement applies to the last year of the Lease Term and Tenant has overpaid its share of Operating Expenses for such last year of the Lease Term, then Tenant shall be paid the amount of such overpayment in cash following such reconciliation of Operating Expenses in lieu of a credit to Tenant's account).

Notwithstanding anything to the contrary contained in this Lease, within one hundred eighty (180) days after receipt by Tenant of Landlord's statement of Operating Expenses

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prepared pursuant to Paragraph 12.2 hereof for any prior annual period during the Lease Term, Tenant or its authorized representative shall have the right to inspect the books of Landlord during the business hours of Landlord at

Landlord's office or, at Landlord's option, such other location as Landlord reasonably may specify, for the purpose of verifying the information contained in the statement. Unless Tenant asserts specific errors within one hundred eighty (180) days after receipt of the statement, the statement shall be deemed correct as between Landlord and Tenant, except as to individual components subsequently determined to be in error by future audit.

13. Alterations.

13.1 In General. Tenant shall not make, or permit to be made, any alterations, changes, enlargements, improvements or additions (collectively "Alterations") in, on, about or to the Premises, or any part thereof, including Alterations required pursuant to Paragraph 6.2, without the prior written consent of Landlord and without acquiring and complying with the conditions of all permits required for such Alterations by any governmental authority having jurisdiction thereof. The term "Alterations" as used in this Paragraph 13 shall also include all heating, lighting, electrical (including all wiring, conduit, outlets, drops, buss ducts, main and subpanels), air conditioning, and partitioning in the Premises made by Tenant, regardless of how affixed to the Premises. The preceding notwithstanding, Tenant shall be permitted, without first obtaining Landlord's consent but upon giving prior written notice to Landlord, to make non-structural Alterations to the Premises during the Lease Term provided (i) the cost of making such non-structural Alterations do not exceed \$10,000 individually or \$50,000 in the aggregate in any lease year during the Lease Term, (ii) such non-structural Alterations do not affect the structural integrity of the Premises or any of the building systems, such as HVAC, mechanical, electrical or plumbing systems within the building comprising the Premises, and (iii) such non-structural Alterations are not visible from the exterior of the Premises. As a condition to the giving of its consent to any Alterations (for which Landlord's consent is required hereunder), Landlord may impose such requirements as Landlord may deem necessary in its sole discretion, including without limitation, the manner in which the work is done; a right of approval of the contractor by whom the work is to be performed; the requirement that Tenant post a completion bond in an amount and form satisfactory to Landlord; and the requirement that Tenant reimburse Landlord, as Additional Rent, for Landlord's actual costs incurred in reviewing any proposed Alteration, whether or not Landlord's consent is granted. All Alterations made by Tenant shall be made at Tenant's sole cost and expense, in accordance with the plans and specifications approved by Landlord. Tenant shall give written notice to Landlord five (5) days prior to employing any laborer or contractor to perform services related to, or receiving materials for use upon the Premises, and prior to the commencement of any work of improvement on the Premises. Any Alterations to the Premises made by Tenant shall be made in accordance with applicable Laws and in a good and workmanlike manner. In making any such Alterations, Tenant shall, at Tenant's sole cost and expense, file for and secure and comply with any and all permits or approvals required by any governmental departments or authorities having jurisdiction thereof and any utility company having an interest therein. In no event shall Tenant make any structural changes to the Premises or make any changes to the Premises which would weaken or impair the structural integrity of the Premises.

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13.2 Removal Upon Lease Termination. At the time Tenant requests Landlord's consent, Tenant shall request a decision from Landlord in writing as to whether Landlord will require Tenant, at Tenant's expense, to remove any such Alterations and restore the Premises to their prior condition at Lease Termination. In the event Tenant fails to earlier obtain Landlord's written decision as to whether Tenant will be required to remove any Alteration (or in the event Landlord's consent to any Alterations is not required as provided in Paragraph 13.1 above), then no less than ninety (90) nor more than one hundred twenty (120) days prior to the expiration of the Lease Term, Tenant by written notice to Landlord shall request Landlord to inform Tenant whether or not Landlord desires to have any Alterations made to the Premises by Tenant removed at Lease Termination. Following receipt of such notice or following Tenant's earlier request for a decision as to whether Tenant's Alterations, or any of them, will be required to be removed by Tenant, Landlord may elect to have all or a portion of Tenant's Alterations removed from the Premises at Lease Termination, and Tenant shall, at its sole cost and expense, remove at Lease Termination such Alterations designated by Landlord for removal and repair all damage to the Premises and Common Area arising from such removal. In the event Tenant fails to so request Landlord's decision or fails to remove any Alterations designated by Landlord for removal, Landlord may remove any Alterations made to the Premises by Tenant and repair all damage to the Premises

and Common Area arising from such removal, and may recover from Tenant all costs and expenses incurred thereby. Tenant's obligation to pay such costs and expenses to Landlord shall survive Lease Termination (except Landlord shall be deemed to have waived its right to receive such costs and expenses if Landlord has not requested or demanded payment of such costs or expenses from Tenant by written notice to Tenant delivered within one hundred eighty days following Lease Termination). Unless Landlord elects to have Tenant remove (or, upon Tenant's failure to obtain Landlord's decision, Landlord removes) any such Alterations, all such Alterations, except for moveable furniture and trade fixtures of Tenant not affixed to the Premises, shall become the property of Landlord upon Lease Termination (without any payment therefor) and remain upon and be surrendered with the Premises at Lease Termination.

13.3 Landlord's Improvements. All fixtures, improvements or equipment which are installed, constructed on or attached to the Premises or Common Area by Landlord shall be a part of the realty and belong to Landlord.

14. Default and Remedies.

14.1 Events of Default. The term "Default by Tenant" as used in this Lease shall mean the occurrence of any of the following events:

(a) Tenant's failure to pay when due any Rentals;

(b) Tenant's abandonment of the Premises;

(c) Commencement and continuation for at least thirty (30) days of any case, action or proceeding by, against or concerning Tenant under any federal or state

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bankruptcy, insolvency or other debtor's relief law, including without limitation, (i) a case under Title 11 of the United States Code concerning Tenant, whether under Chapter 7, 11, or 13 of such Title or under any other Chapter, or (ii) a case, action or proceeding seeking Tenant's financial reorganization or an arrangement with any of Tenant's creditors;

(d) Voluntary or involuntary appointment of a receiver, trustee, keeper, or other person who takes possession for more than thirty (30) days of substantially all of Tenant's assets or of any asset used in Tenant's business on the Premises, regardless of whether such appointment is as a result of insolvency or any other cause;

(e) Execution of an assignment for the benefit of creditors of substantially all assets of Tenant available by law for the satisfaction of judgment creditors;

(f) Commencement of proceedings for winding up or dissolving (whether voluntary or involuntary) the entity of Tenant, if Tenant is a corporation or a partnership;

(g) Levy of a writ of attachment or execution on Tenant's interest under this Lease, if such writ continues for a period of ten (10) days;

(h) Transfer or attempted Transfer of this Lease or the Premises by Tenant contrary to the provisions of Paragraph 24 below; or

(i) Breach by Tenant of any term, covenant, condition, warranty, or other provision contained in this Lease or of any other obligation owing or due to Landlord.

14.2 Remedies. Upon any Default by Tenant, Landlord shall have the following remedies, in addition to all other rights and remedies provided by law, to which Landlord may resort cumulatively, or in the alternative:

14.2.1 Termination. Upon any Default by Tenant, Landlord shall have the right (but not the obligation) to give written notice to Tenant of such default and terminate this Lease and Tenant's right to possession of the Premises if (i) such default is in the payment of Rentals and is not cured within five (5) days after any such notice, or, (ii) with respect to the defaults referred to in subparagraphs 14.1(b), (e), (f), (h) and (i), such

default is not cured within thirty (30) days after any such notice (or if a default under subparagraphs 14.1(b) or (i) cannot be reasonably cured within thirty (30) days, if Tenant does not commence to cure the default within the thirty (30) day period or does not diligently and in good faith prosecute the cure to completion), or, (iii) with respect to the defaults specified in subparagraphs 14.1(c) (d) and (g), such default is not cured within the respective time periods specified in those subparagraphs. The parties agree that any written notice given by Landlord to Tenant pursuant to this Paragraph 14.2.1 shall be sufficient notice for purposes of California Code of Civil Procedure Section 1161 and Landlord shall not be required to give any additional notice in order to be entitled to commence an unlawful detainer proceeding. Upon termination of this Lease and

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Tenant's right to possession of the Premises, Landlord shall have the right to recover from Tenant:

(a) The worth at the time of award of the unpaid Rentals which had been earned at the time of termination;

(b) The worth at the time of award of the amount by which the Rentals which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided;

(c) The worth at the time of award (computed by discounting at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent) of the amount by which the Rentals for the balance of the Lease Term after the time of award exceed the amount of such rental loss that Tenant proves could be reasonably avoided;

(d) Any other amounts necessary to compensate Landlord for all detriment proximately caused by the Default by Tenant or which in the ordinary course of events would likely result.

(e) The "worth at the time of award" of the amounts referred to in subparagraphs (a) and (b) of this Paragraph 14.2.1 is computed by allowing interest at an annual rate equal to the greater of: ten percent (10%); or five percent (5%) plus the rate established by the Federal Reserve Bank of San Francisco, as of the twenty-fifth (25th) day of the month immediately preceding the Default by Tenant, on advances to member banks under Sections 13 and 13(a) of the Federal Reserve Act, as now in effect or hereafter from time to time amended, not to exceed the maximum rate allowable by law.

14.2.2 Continuance of Lease. Upon any Default by Tenant and unless and until Landlord elects to terminate this Lease pursuant to Paragraph 14.2.1 above, this Lease shall continue in effect after the Default by Tenant and Landlord may enforce all its rights and remedies under this Lease, including without limitation, the right to recover payment of Rentals as they become due. Neither efforts by Landlord to mitigate damages caused by a Default by Tenant nor the acceptance of any Rentals shall constitute a waiver by Landlord of any of Landlord's rights or remedies, including the rights and remedies specified in Paragraph 14.2.1 above. The Landlord shall have the remedy described in California Civil Code Section 1951.4 (landlord may continue lease in effect after tenant's breach and abandonment and recover rent as it becomes due, if landlord has the right to sublet or assign, subject only to reasonable limitations).

15. Damage or Destruction.

15.1 Definition of Terms. For the purposes of this Lease, the term: (a) "Insured Casualty" means damage to or destruction of the Premises from a cause actually insured against, for which the insurance proceeds paid or made available to Landlord, together with the amount of deductible applicable to such insured casualty (and which deductible shall be paid by Tenant to Landlord), are sufficient to rebuild or restore the Premises under then-existing

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building codes to the condition existing immediately prior to the damage or

destruction; and (b) "Uninsured Casualty" means damage to or destruction of the Premises from a cause not actually insured against, or from a cause actually insured against but for which the insurance proceeds paid or made available to Landlord are for any reason insufficient to rebuild or restore the Premises under then-existing building codes to the condition existing immediately prior to the damage or destruction, or from a cause actually insured against but for which the insurance proceeds are not paid or made available to Landlord within sixty (60) days of the event of damage or destruction.

15.2 Insured Casualty.

15.2.1 Rebuilding Required. In the event of an Insured Casualty where the extent of damage or destruction is less than twenty percent (20%) of the then full replacement cost of the Premises, Landlord shall rebuild or restore the Premises to the condition existing immediately prior to the damage or destruction, provided the damage or destruction was not a result of a negligent or willful act of Tenant, and that there exist no governmental codes or regulations that would interfere with Landlord's ability to so rebuild or restore.

15.2.2 Landlord's Election. In the event of an Insured Casualty where the extent of damage or destruction is equal to or greater than twenty percent (20%) of the then full replacement cost of the Premises, Landlord may, at its option and at its sole discretion, rebuild or restore the Premises to the condition existing immediately prior to the damage or destruction, or terminate this Lease. Landlord shall notify Tenant in writing within forty-five (45) days after the event of damage or destruction of Landlord's election to either rebuild or restore the Premises or terminate this Lease.

15.2.3 Continuance of Lease. If Landlord is required to rebuild or restore the Premises pursuant to Paragraph 15.2.1 or if Landlord elects to rebuild or restore the Premises pursuant to Paragraph 15.2.2, this Lease shall remain in effect and Tenant shall have no claim against Landlord for compensation for inconvenience or loss of business during any period of repair or restoration.

15.3 Uninsured Casualty.

15.3.1 Landlord's Election. In the event of an Uninsured Casualty, Landlord may, at its option and at its sole discretion (i) rebuild or restore the Premises as soon as reasonably possible at Landlord's expense (unless the damage or destruction was caused by a negligent or willful act of Tenant, in which event Tenant shall pay all costs of rebuilding or restoring), in which event this Lease shall continue in full force and effect or (ii) terminate this Lease, in which event Landlord shall give written notice to Tenant within forty-five (45) days after the event of damage or destruction of Landlord's election to terminate this Lease as of the date of the event of damage or destruction, and if the damage or destruction was caused by a negligent or willful act of Tenant, Tenant shall be liable therefor to Landlord.

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15.3.2 Tenant's Ability to Continue Lease. If Landlord elects to terminate this Lease and the extent of damage or destruction is less than twenty percent (20%) of the then full replacement cost of the Premises or the proceeds paid or made available to Landlord are for any reason insufficient to rebuild or restore the Premises under then-existing building codes to the condition existing immediately prior to the damage or destruction, and if there exist no governmental codes or regulations that would interfere with Landlord's ability to so repair or restore, then Tenant may nevertheless cause the Lease to continue in effect by (i) notifying Landlord in writing within ten (10) days after Landlord's notice of termination of Tenant's agreement to pay all costs of rebuilding or restoring not covered by insurance, and (ii) providing Landlord with reasonable security for or assurance of such payment. Tenant shall pay to Landlord in cash no later than thirty (30) days prior to the date of commencement of construction the reasonable estimated cost of rebuilding or restoring. In the event Tenant fails to pay such cost to Landlord by the date specified, Landlord may immediately terminate the Lease and recover from Tenant all costs incurred by Landlord in preparation for construction. If the actual cost of rebuilding or restoring exceeds the estimated cost of such work, Tenant shall pay the difference to Landlord in cash upon notification by Landlord of the final cost. If the cost of rebuilding or restoring is less than the estimated cost of such work, Tenant shall be entitled

to a refund of the difference upon completion of the rebuilding or restoring and determination of final cost.

15.4 Tenant's Election. Notwithstanding anything to the contrary contained in this Paragraph 15, Tenant may elect to terminate this Lease in the event the Premises are damaged or destroyed and, in the reasonable opinion of Landlord's architect or construction consultants, the restoration of the Premises cannot be substantially completed within one hundred eighty (180) days after the event of damage or destruction. Tenant's election shall be made by written notice to Landlord within twenty (20) days after Tenant receives from Landlord the estimate of the time needed to complete repair or restoration of the Premises. If Tenant does not deliver said notice within said twenty (20) day period, Tenant may not later terminate this Lease even if substantial completion of the rebuilding or restoration occurs subsequent to said one hundred eighty day period, provided that Landlord is proceeding with diligence to rebuild or restore the Premises. The preceding sentence to the contrary notwithstanding, if such rebuilding or restoration is not completed within two hundred forty (240) days following the event of damage or destruction, then Tenant shall be allowed to terminate this Lease (even if Landlord is proceeding with diligence to rebuild or restore the Premises) by delivering written notice to Landlord within twenty (20) days following such two hundred forty (240) day period. If Tenant delivers said notice within said twenty (20) day period, this Lease shall terminate as of the date of the event of damage or destruction.

15.5 Damage or Destruction Near End of Lease Term. Notwithstanding anything to the contrary contained in this Paragraph 15, in the event the Premises are damaged or destroyed in whole or in part (regardless of the extent of damage) from any cause during the last twelve (12) months of the Lease Term, Landlord may, at Landlord's option, terminate this Lease as of the date of the event of damage or destruction by giving written notice to Tenant of Landlord's election to do so within thirty (30) days after the event of such damage or destruction. For purposes of this Paragraph 15.5, if Tenant has been granted an option to extend

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or renew the Lease Term pursuant to another provision of this Lease, then the damage or destruction shall be deemed to have occurred during the last twelve (12) months of the Lease Term if Tenant fails to exercise its option to extend or renew within twenty-five (25) days after the event of damage or destruction. Notwithstanding anything to the contrary contained in this Paragraph 15, in the event the Premises are damaged or destroyed in whole or in part (regardless of the extent of damage) from any cause (other than the acts, omissions, negligence or willful misconduct of Tenant or any of its agents, employees, licensees, invitees, subtenants or contractors) during the last twelve (12) months of the Lease Term and such repair or restoration cannot be completed at least six months prior to the expiration of the Lease Term, Tenant may, at Tenant's option, terminate this Lease as of the date of the event of damage or destruction by giving written notice to Landlord of Tenant's election to do so within thirty (30) days after the event of such damage or destruction.

15.6 Termination of Lease. The current Rent and Operating Expenses shall be proportionately reduced during the period following the event of damage or destruction until the date on which Tenant surrenders the Premises, based upon the extent to which the damage or destruction interferes with Tenant's business conducted in the Premises, as reasonably determined by Landlord. The proceeds of insurance carried by Tenant pursuant to Paragraph 8.2 shall be paid to Landlord and Tenant, as their interests appear.

15.7 Abatement of Rentals. If the Premises are to be rebuilt or restored pursuant to this Paragraph 15, the then current Rent and Operating Expenses shall be proportionately reduced during the period of repair or restoration, based upon the extent to which the making of repairs interferes with Tenant's business conducted in the Premises, as reasonably determined by Landlord.

15.8 Liability for Personal Property. In no event shall Landlord have any liability for, nor shall it be required to repair or restore, any injury or damage to any Alterations to the Premises made by Tenant, trade fixtures, equipment, merchandise, furniture, or any other property installed by Tenant or at the expense of Tenant. Subject to the provisions of Paragraph 8.6 above, the immediately preceding sentence shall not relieve Landlord from liability for its negligent acts or willful misconduct. In no event, however,

shall Landlord be liable for any claims by Tenant of lost profits, loss of business or lost income. If Landlord or Tenant do not elect to terminate this Lease pursuant to this Paragraph 15, Tenant shall be obligated to promptly rebuild or restore the same to the condition existing immediately prior to the damage or destruction in accordance with the provisions of Paragraph 13.1.

15.9 Waiver of Civil Code Remedies. Landlord and Tenant acknowledge that the rights and obligations of the parties upon damage or destruction of the Premises are as set forth herein; therefore Tenant hereby expressly waives any rights to terminate this Lease upon damage or destruction of the Premises, except as specifically provided by this Lease, including without limitation any rights pursuant to the provisions of subdivision 2 of Section 1932 and subdivision 4 of Section 1933 of the California Civil Code, as amended from time to time, and the provisions of any similar law hereinafter enacted, which provisions relate to the termination of the hiring of a thing upon its substantial damage or destruction.

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16. Condemnation.

16.1 Definition of Terms. For the purposes of this Lease, the term: (a) "Taking" means a taking of the Premises or Common Area or damage related to the exercise of the power of eminent domain and includes, without limitation, a voluntary conveyance, in lieu of court proceedings, to any agency, authority, public utility, person or corporate entity empowered to condemn property; (b) "Total Taking" means the Taking of the entire Premises or so much of the Premises or Common Area as to prevent or substantially impair the use thereof by Tenant for the uses herein specified; provided, however, that in no event shall the Taking of less than twenty percent (20%) of the Premises be considered a Total Taking; (c) "Partial Taking" means the Taking of only a portion of the Premises or Common Area which does not constitute a Total Taking; (d) "Date of Taking" means the date upon which the title to the Premises or Common Area or a portion thereof, passes to and vests in the condemnor or the effective date of any order for possession if issued prior to the date title vests in the condemnor; (e) "Award" means the amount of any award made, consideration paid, or damages ordered as a result of a Taking.

16.2 Rights. The parties agree that in the event of a Taking all rights between them or in and to an Award shall be as set forth herein.

16.3 Total Taking. In the event of a Total Taking during the Lease Term: (a) the rights of Tenant under this Lease and the leasehold estate of Tenant in and to the Premises shall cease and terminate as of the Date of Taking; (b) Landlord shall refund to Tenant any prepaid Rent; (c) Tenant shall pay Landlord any Rentals due Landlord under the Lease, prorated as of the Date of Taking; (d) to the extent the Award is not payable to the beneficiary or mortgagee of a deed of trust or mortgage affecting the Premises, Tenant shall receive from the Award those portions of the Award attributable to trade fixtures of Tenant, Alterations paid by Tenant and loss of goodwill, if any; (e) the remainder of the Award shall be paid to and be the property of Landlord. Tenant reserves the right to apply separately for compensation resulting from a taking of Tenant's trade fixtures, Alterations paid by Tenant and loss of goodwill, if any. If any portion of the award received by Landlord is directly attributable to Tenant's trade fixtures, Alterations paid by Tenant or Tenant's loss of goodwill, then Landlord shall promptly pay such portion of the award attributable to such items to Tenant.

16.4 Partial Taking. In the event of a Partial Taking during the Lease Term: (a) the rights of Tenant under the Lease and the leasehold estate of Tenant in and to the portion of the Premises taken shall cease and terminate as of the Date of Taking; (b) from and after the Date of Taking the Rent shall be an amount equal to the product obtained by multiplying the then current Rent by the quotient obtained by dividing the fair market value of the Premises immediately after the Taking by the fair market value of the Premises immediately prior to the Taking; (c) to the extent the Award is not payable to the beneficiary or mortgagee of a deed of trust or mortgage affecting the Premises, Tenant shall receive from the Award the portions of the Award attributable to trade fixtures of Tenant, Alterations paid by Tenant and loss of goodwill, if any; and (d) the remainder of the Award shall be paid to and be the property of

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Landlord. Tenant reserves the right to apply separately for compensation resulting from a taking of Tenant's trade fixtures, Alterations paid by Tenant and loss of goodwill, if any. If any portion of the award received by Landlord is directly attributable to Tenant's trade fixtures, Alterations paid by Tenant or Tenant's loss of goodwill, then Landlord shall promptly pay such portion of the award attributable to such items to Tenant. Each party waives the provisions of California Code of Civil Procedure Section 1265.130 allowing either party to petition the Superior Court to terminate this Lease in the event of a Partial Taking.

17. Liens.

17.1 Premises to Be Free of Liens. Tenant shall pay for all labor and services performed for, and all materials used by or furnished to Tenant, Tenant's agents, or any contractor employed by Tenant with respect to the Premises. Tenant shall indemnify, defend and hold Landlord harmless from and keep the Premises and Common Area free from any liens, claims, demands, encumbrances, or judgments, including all costs, liabilities and reasonable attorneys' fees with respect thereto, created or suffered by reason of any labor or services performed for, or materials used by or furnished to Tenant or Tenant's agents or any contractor employed by Tenant with respect to the Premises. 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 and the Premises and Common Area, and any other party having an interest therein, from mechanics' and materialmen's liens, including without limitation a notice of nonresponsibility. In the event Tenant is required to post an improvement bond with a public agency in connection with any work performed by Tenant on or to the Premises, Tenant shall include Landlord as an additional obligee.

17.2 Notice of Lien, Bond. Should any claims of lien be filed against, or any action be commenced affecting, the Premises, Tenant's interest in the Premises or the Common Area, Tenant shall give Landlord notice of such lien or action within seven (7) 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 thirty (30) 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 such means as Landlord shall deem proper, including payment of the claim giving rise to such lien or posting of a proper bond. All such sums paid by Landlord and all expenses incurred by Landlord in connection therewith, including attorneys' fees and costs, shall be payable to Landlord by Tenant as Additional Rent on demand.

18. Landlord's Right of Access to Premises. Landlord reserves and shall have the right and Tenant and Tenant's agents shall permit Landlord and Landlord's agents to enter the Premises at any reasonable time upon not less than twenty-four hours advance notice (except in the event of an emergency) for the purpose of (i) inspecting the Premises, (ii) performing Landlord's maintenance and repair responsibilities set forth herein, (iii) posting notices of non-responsibility, (iv) placing upon the Premises at any time "For Sale" signs, (v) placing on the Premises ordinary "For Lease" signs at any time within six (6) months prior to Lease Termination, or at any time Tenant is in default hereunder and the applicable cure or grace period has expired with respect to such default, or at such other times as agreed to by Landlord and Tenant, (vi) protecting the Premises in the event of an emergency, (vii) exhibiting the Premises to prospective purchasers or lenders, and (viii) exhibiting the Premises to prospective tenants during the last six (6) months prior to Lease Termination or at any time while a Tenant default is continuing following the applicable cure or grace

period. In the event of an emergency, Landlord shall have the right to use any and all means which Landlord may deem proper to gain access to the Premises. Any entry by Landlord pursuant to the provisions of this Paragraph 18 shall not unreasonably impair Tenant's access to the Premises, Tenant's parking rights under this Lease or Tenant's use of the Premises. Any entry to the Premises by Landlord or Landlord's agents in accordance with this Paragraph 18 or any other provision of 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 an eviction of Tenant from the Premises or any portion thereof nor give Tenant the right to abate the Rentals payable under this Lease. Tenant hereby waives any

claims for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned by Landlord's or Landlord's agents' entry into the Premises as permitted by this Paragraph 18 or any other provision of this Lease (except if such loss or damage results from Landlord's negligence or willful misconduct). The preceding notwithstanding, under no circumstances shall Landlord be liable to Tenant for any claims of lost profits, loss of business or lost income.

19. Landlord's Right to Perform Tenant's Covenants. Except as otherwise expressly provided herein, if Tenant shall at any time fail to make any payment or perform any other act required to be made or performed by Tenant under this Lease, Landlord may upon ten (10) days written notice to Tenant, but shall not be obligated to and without waiving or releasing Tenant from any obligation under this Lease, make such payment or perform such other act to the extent that Landlord may deem desirable, and in connection therewith, pay expenses and employ counsel. All sums so paid by Landlord and all penalties, interest and costs in connection therewith shall be due and payable by Tenant as Additional Rent upon demand.

20. Lender Requirements.

20.1 Subordination. This Lease, at Landlord's option, shall be subject and subordinate to the lien of any mortgages or deeds of trust (including all advances thereunder, renewals, replacements, modifications, supplements, consolidations, and extensions thereof) in any amount(s) whatsoever now or hereafter placed on or against or affecting the Premises and/or the real property comprising the Common Area or Landlord's interest or estate therein, without the necessity of the execution and delivery of any further instruments on the part of Tenant to effectuate such subordination. If any mortgagee or beneficiary shall elect to have this Lease prior to the lien of its mortgage or deed of trust, and shall give written notice thereof to Tenant, this Lease shall be deemed prior to such mortgage or deed of trust, whether this Lease is dated prior or subsequent to the date of such mortgage or deed of trust or the date of the recording thereof.

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20.2 Subordination Agreements. Tenant shall execute and deliver without charge therefor, such further instruments evidencing subordination of this Lease to the lien of any mortgages or deeds of trust affecting the Premises and/or real property comprising the Common Area as may be required by Landlord within fifteen (15) days following Landlord's request therefor; provided that such mortgagee or beneficiary under such mortgage or deed of trust 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, and provided further than any subordination, nondisturbance agreement required by a mortgagee or beneficiary under a deed of trust shall be substantially in the form of Exhibit E attached hereto and incorporated herein by this reference, unless otherwise agreed to in writing by lender. Landlord agrees to reasonably request of its existing lender holding a security interest in the Premises that such lender execute a subordination, non-disturbance agreement in substantially the form of Exhibit E attached hereto with respect to Tenant and this Lease. This Lease and the effectiveness of the same shall not be conditioned, however, on the execution of such subordination, non-disturbance agreement by Landlord's lender.

20.3 Approval by Lenders. Tenant recognizes that the provisions of this Lease may be subject to the approval of any financial institution that may make a loan secured by a new or subsequent deed of trust or mortgage affecting the Premises and/or real property comprising the Common Area. If the financial institution should require, as a condition to such financing, any modifications of this Lease in order to protect its security interest in the Premises, including without limitation, modification of the provisions relating to damage to and/or condemnation of the Premises, Tenant agrees to execute the appropriate amendments; provided, however, that no modification shall substantially change the size, location or dimension of the Premises, increase the Rentals payable by Tenant hereunder or increase the obligations of Tenant hereunder.

20.4 Attornment. In the event of foreclosure or the exercise of the power of sale under any mortgage or deed of trust made by Landlord and covering the Premises and/or real property comprising the Common Area, Tenant shall attorn to the foreclosing lender and to the purchaser upon any such

foreclosure or sale and recognize such lender or such purchaser as the Landlord under the Lease.

20.5 Estoppel Certificates.

(a) Delivery by Tenant. Tenant shall, within fifteen (15) days following request by Landlord therefor and without charge, execute and deliver to Landlord estoppel certificates and current financial statements of Tenant reasonably requested by Landlord in connection with the sale or financing of the Premises and/or real property comprising the Common Area, or reasonably requested by any lender making a loan affecting the Premises and/or real property comprising the Common Area. Landlord may require that Tenant deliver to Landlord and/or such lender an estoppel certificate in the form of Exhibit F attached hereto and incorporated herein by this reference. Any such estoppel certificate may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises, and/or real property comprising the Common Area.

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(b) Nondelivery by Tenant. Tenant's failure to deliver an estoppel certificate as required pursuant to Paragraph 20.5(a) above shall be conclusive upon Tenant that (i) this Lease is in full force and effect, without modification except as may be represented by Landlord and has not been assigned, (ii) there are now no uncured defaults in Landlord's performance, (iii) no Rentals have been paid in advance except those that are set forth in this Lease, (iv) the improvements to be constructed on the Premises by Landlord have been substantially completed except for punch list items which do not prevent Tenant from using the Premises for its intended use, and (v) Tenant has entered into occupancy of the Premises on such date as may be represented by Landlord and is open and conducting business at the Premises. Tenant's failure to deliver any financial statements or estoppel certificates as required pursuant to Paragraph 20.5(a) above shall be a Default by Tenant.

21. Holding Over. This Lease shall terminate without further notice at the expiration of the Lease Term. It is the desire of Landlord either to enter into a new lease with Tenant for the Premises prior to the expiration of the Lease Term, or to have Tenant vacate the Premises pursuant to Paragraph 35 below. Therefore, any holding over by Tenant after Lease Termination shall not constitute a renewal or extension of the Lease Term, nor give Tenant any rights in or to the Premises except as expressly provided in this Lease. Any holding over after Lease Termination with the consent of Landlord shall be construed to be a tenancy from month to month, at one hundred fifty percent (150%) of the monthly Rent for the month preceding Lease Termination in addition to all Additional Rent payable hereunder, and shall otherwise be on the terms and conditions herein specified insofar as applicable. If Tenant remains in possession of the Premises after Lease Termination without Landlord's consent Tenant shall indemnify, defend and hold Landlord harmless from and against any loss, damage, expense, claim or liability resulting from Tenant's failure to surrender the Premises, including without limitation, any claims made by any succeeding tenant based on delay in the availability of the Premises.

22. Notices. Any notice required or desired to be given under this Lease shall be in writing, and all notices shall be given by personal delivery or mailing. All notices personally given on Tenant may be delivered to any person apparently in charge at the Premises, on any corporate officer or agent of Tenant (including, without limitation, the General Counsel of Tenant) if Tenant is a corporation, or on any one signatory party if more than one party signs this Lease on behalf of Tenant; any notice so given shall be binding upon all signatory parties as if served upon each such party personally. Any notice given pursuant to this Paragraph 22 shall be deemed to have been given when personally delivered, or if mailed, when seventy-two (72) hours have elapsed from the time when such notice was deposited in the United States mail, certified or registered mail and postage prepaid, addressed to the party at the last address given for purposes of notice pursuant to the provisions of this Paragraph 22. At the date of execution of this Lease, the addresses of Landlord and Tenant are set forth in Paragraph 1.11 above.

23. Attorneys' Fees. In the event either party hereto shall bring any action or legal proceeding for damages for an alleged breach of any provision of this Lease, to recover Rentals, to enforce an indemnity defense or hold harmless obligation, to terminate the tenancy of the

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Premises, or to enforce, protect, interpret, or establish any term, condition, or covenant of this Lease or right or remedy of either party, the prevailing party shall be entitled to recover, as a part of such action or proceeding, reasonable attorneys' fees and court costs, including attorneys' fees and costs for appeal, as may be fixed by the court or jury.

24. Assignment, Subletting and Hypothecation.

24.1 In General. Tenant shall not voluntarily sell, assign or transfer all or any part of Tenant's interest in this Lease or in the Premises or any part thereof, sublease all or any part of the Premises, or permit all or any part of the Premises to be used by any person or entity other than Tenant or Tenant's employees, except as specifically provided in this Paragraph 24.

24.2 Voluntary Assignment and Subletting.

(a) Notice to Landlord. Tenant shall, by written notice, advise Landlord of Tenant's desire on a stated date (which date shall not be less than thirty (30) days nor more than ninety (90) days after the date of Tenant's notice) to assign this Lease or to sublet all or any part of the Premises for any part of the Lease Term. Said notice shall state that the notice constitutes an offer to terminate the Lease or Tenant's interest in the portion of the Premises specified pursuant to Paragraph 24.2(b) if the notice applies to a proposed assignment of the Lease or Tenant's interest therein, a proposed sublease of all or any part of the Premises for more than fifty percent (50%) of the remainder of the Lease Term, or a proposed sublease of more than fifty percent (50%) of the Premises for any period. Tenant's notice shall state the name, legal composition and address of the proposed assignee or subtenant, and Tenant shall provide the following information to Landlord with said notice: a true and complete copy of the proposed assignment agreement or sublease; a financial statement of the proposed assignee or subtenant (certified as true and correct by an officer or partner of the proposed assignee or subtenant) prepared in accordance with generally accepted accounting principles within one year prior to the proposed effective date of the assignment or sublease; the nature of the proposed assignee's or subtenant's business to be carried on in the Premises; the payments to be made or other consideration to be given on account of the assignment or sublease; a current financial statement of Tenant; and such other pertinent information as may be requested by Landlord, all in sufficient detail to enable Landlord to evaluate the proposed assignment or sublease and the prospective assignee or subtenant. Tenant's notice shall not be deemed to have been served or given until such time as Tenant has provided Landlord with all information reasonably requested by Landlord pursuant to this Paragraph 24.2. Tenant shall immediately notify Landlord of any modification to the proposed terms of such assignment or sublease. Tenant may withdraw its notice at any time prior to exercise by Landlord of Landlord's right to terminate as described in Paragraph 24.2(b).

(b) Offer to Terminate. If Tenant notifies Landlord of its desire to assign this Lease or any interest herein, to sublet all or any part of the Premises for more than fifty percent (50%) of the remainder of the Lease Term, or to sublet more than fifty percent (50%) of the Premises for any period, Tenant's notice shall constitute an offer to terminate this Lease or Tenant's interest in the portion of the Premises specified and Landlord shall have the

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right, to be exercised by giving written notice to Tenant within ten (10) days after receipt of Tenant's notice, to terminate the Lease (i) entirely, in the event of a proposed assignment or a sublease of the entire Premises for the remainder of the Lease Term, (ii) as to the portion of the Premises which is the subject of a proposed sublease for more than fifty percent (50%) of the remainder of the Lease Term, or (iii) as to the portion of the Premises which is the subject of a proposed sublease of more than fifty percent (50%) of the Premises for any period, as specified in Tenant's notice. For purposes of this Paragraph 24.2(b), (i) the term of a proposed sublease shall include all options to extend or renew, and (ii) a proposed sublease shall be deemed to be for the remainder of the Lease Term if the term of the proposed sublease will expire within one year prior to the end of the Lease Term. If Tenant's notice specifies all of the Premises and Landlord elects to terminate, this Lease and the obligations of Landlord and Tenant under this Lease shall terminate on the date stated in the notice given by Tenant pursuant to Paragraph 24.2(a), except that

any obligations which have accrued and are unfulfilled as of such date and any obligations under this Lease that expressly survive termination of this Lease shall survive such termination. If Tenant's notice specifies less than all of the Premises and Landlord elects to terminate, this Lease and the obligations of Landlord and Tenant under this Lease shall terminate on the date stated solely with respect to that portion of the Premises specified in Tenant's notice (except that any obligations which have accrued and are unfulfilled with respect to the terminated portion of the Premises as of such date and any obligations under this Lease with respect to such terminated portion of the Premises that expressly survive termination of this Lease shall survive such termination), and Rent and all other costs and expenses payable by Tenant hereunder shall be adjusted pro rata, based upon the number of net leasable square feet retained by Tenant after the termination, compared to the total number of net leasable square feet in the entire Premises excluding any areas of the Premises designated in the proposed sublease for ingress and egress and common areas, if any. The Lease as so amended shall continue thereafter in full force and effect. Landlord and Tenant shall execute an amendment to this Lease specifying the new Premises, the adjusted Rent, a reasonable method for apportioning maintenance and operating obligations based on the multitenant nature of the Premises, and Tenant's share of costs and expenses; provided, however, that failure by either party to execute such an amendment shall not affect the validity of this Lease.

(c) Landlord's Consent. If Landlord does not exercise its right to terminate pursuant to Paragraph 24.2(b) within ten (10) days after receipt of Tenant's notice or if a proposed sublease is not subject to the provisions of Paragraph 24.2(b), Landlord shall not unreasonably withhold its consent to the proposed assignment or subletting, on the terms and conditions specified in said notice. If Tenant's notice fails to state that it constitutes an offer to terminate the Lease as may be required pursuant to Paragraph 24.2(a), such notice shall be deemed insufficient for the purposes of this Paragraph 24.2, and Landlord may withhold its consent to the proposed assignment or subletting in Landlord's absolute discretion. Without otherwise limiting the criteria upon which Landlord may withhold its consent to any proposed assignment or sublease, if Landlord withholds its consent where Tenant is in default at the time of the giving of Tenant's notice or at any time thereafter, such withholding of consent shall be presumptively reasonable. Landlord and Tenant agree that fifty percent (50%) of any and all rent paid by an assignee or subtenant, including, but not limited to, any rent in excess of the Rentals to be paid under this Lease (prorated in the event of a sublease of less than the entire

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Premises), shall be paid directly to Landlord, as Additional Rent, at the time and place specified in this Lease. For the purposes of this Paragraph 24, the term "rent" shall include any consideration of any kind received, or to be received, by Tenant from an assignee or subtenant, if such sums are related to Tenant's interest in this Lease or in the Premises, including, but not limited to key money, bonus money, and payments (in excess of the fair market value thereof) for Tenant's assets, fixtures, trade fixtures, inventory, accounts, goodwill, equipment, furniture, general intangibles, and any capital stock or other equity ownership interest of Tenant. Any assignment or subletting without Landlord's consent shall be voidable at Landlord's option, and shall constitute a Default by Tenant. Landlord's consent to any one assignment or sublease shall not constitute a waiver of the provisions of this Paragraph 24 as to any subsequent assignment or sublease nor a consent to any subsequent assignment or sublease; further, Landlord's consent to an assignment or sublease shall not release Tenant from Tenant's obligations under this Lease, and Tenant shall remain jointly and severally liable with the assignee or subtenant.

(d) Assumption of Obligations. In the event Landlord consents to any assignment, such consent shall be conditioned upon the assignee expressly assuming and agreeing to be bound by each of Tenant's covenants, agreements and obligations contained in this Lease, pursuant to a written assignment and assumption agreement in a form reasonably approved by Landlord. Landlord's consent to any assignment or sublease shall be evidenced by Landlord's signature on said assignment and assumption agreement or on said sublease or by a separate written consent. In the event Landlord consents to a proposed assignment or sublease, such assignment or sublease shall be valid and the assignee or subtenant shall have the right to take possession of the Premises only if an executed original of the assignment or sublease is delivered to Landlord, and such document contains the same terms and conditions as stated in Tenant's notice to Landlord given pursuant to Paragraph 24.2(a) above, except

for any such modifications to which Landlord has consented in writing.

24.3 Collection of Rent. Tenant hereby irrevocably gives to and confers upon Landlord, as security for Tenant's obligations under this Lease, the right, power and authority to collect all rents from any assignee or subtenant of all or any part of the Premises as permitted by this Paragraph 24, or otherwise, and Landlord, as assignee of Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; provided, however, that until the occurrence of any Default by Tenant or except as provided by the provisions of Paragraph 24.2(c) above, Tenant shall have the right to collect such rent. Upon the occurrence of any Default by Tenant, Landlord may at any time without notice in Landlord's own name sue for or otherwise collect such rent, including rent past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, toward Tenant's obligations under this Lease. Landlord's collection of such rents shall not constitute an acceptance by Landlord of attornment by such subtenants; in the event of a Default by Tenant, Landlord shall have all rights provided by this Lease and by law, and Landlord may, upon re-entry and taking possession of the Premises, eject all parties in possession or eject some and not others, or eject none, as Landlord shall determine in Landlord's sole discretion.

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24.4 No Bonus Value. It is the intent of the parties hereto that this Lease shall confer upon Tenant only the right to use and occupy the Premises, and to exercise such other rights as are conferred upon Tenant by this Lease. The parties agree that, except to the extent provided in Paragraph 24.2(c) in which Landlord agrees to split equally excess rentals paid to Tenant, this Lease is not intended to have a bonus value, nor to serve as a vehicle whereby Tenant may profit by a future assignment or sublease of this Lease or the right to use or occupy the Premises as a result of any favorable terms contained herein or any future changes in the market for leased space. It is the intent of the parties that any such bonus value that may attach to this Lease shall be and remain, subject to the provisions of Paragraph 24.2(c), the exclusive property of Landlord.

24.5 Corporations and Partnerships. If Tenant is a partnership, any withdrawal or substitution (whether voluntary, involuntary, or by operation of law and whether occurring at one time or over a period of time) of any partner(s) owning fifty percent (50%) or more (cumulatively) of the partnership, any assignment(s) of fifty percent (50%) or more (cumulatively) of any interest in the capital or profits of the partnership, or the dissolution of the partnership shall be deemed an assignment of this Lease requiring the prior written consent of Landlord. If Tenant is a corporation, any dissolution, merger, consolidation or other reorganization of Tenant, any sale or transfer (or cumulative sales or transfers) of the capital stock of Tenant in excess of fifty percent (50%), or any sale (or cumulative sales) of all of the assets of Tenant shall be deemed an assignment of this Lease requiring the prior written consent of Landlord. Any such withdrawal or substitution of partners or assignment of any interest in or dissolution of a partnership tenant, and any such sale of stock or assets of a corporate tenant without the prior written consent of Landlord shall be a Default by Tenant hereunder. The foregoing notwithstanding, (i) the sale or transfer of any or all of the capital stock of a corporation, the capital stock of which is now or hereafter becomes publicly traded, or (ii) the sale or transfer of this Lease to Tenant's parent company or any affiliates or subsidiaries of Tenant's parent company, or (iii) the sale or transfer of this Lease to an unaffiliated entity with whom Tenant or Tenant's parent company or any affiliates or subsidiaries of Tenant's parent company have a joint development or joint venture relationship, shall not be deemed an assignment of this Lease, shall not require the prior written consent of Landlord (but written notice of such sale or transfer shall be given by Tenant to Landlord prior to or promptly following the date of such sale or transfer), shall not give Landlord a right to recapture the Premises, or portion thereof, which is the subject of such sale or transfer, and shall not entitle Landlord to any bonus rent with respect to such sale or transfer. The parent company of Tenant and any subsidiaries of the parent company of Tenant shall be deemed "Affiliates" of Tenant.

24.6 Reasonable Provisions. Tenant expressly agrees that the provisions of this Paragraph 24 are not unreasonable standards or conditions for purposes of Section 1951.4(b)(2) of the California Civil Code, as amended from time to time, under bankruptcy laws, or for any other purpose.

24.7 Attorney's Fees. Tenant shall pay, as Additional Rent, Landlord's reasonable attorneys' fees for reviewing, investigating, processing and/or documenting any

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requested assignment or sublease, whether or not Landlord's consent is granted (but not to exceed \$750).

24.8 Involuntary Transfer. No interest of Tenant in this Lease shall be assignable, involuntarily or by operation of law, including, without limitation, the transfer of this Lease by testacy or intestacy. Each of the following acts shall be considered an involuntary assignment:

(a) If Tenant is or becomes bankrupt or insolvent, makes an assignment for the benefit of creditors, or a proceeding under any bankruptcy law is instituted in which Tenant is the bankrupt; or, if Tenant is a partnership or consists of more than one person or entity, if any partner of the partnership or other person or entity is or becomes bankrupt or insolvent, or makes an assignment for the benefit of creditors;

(b) Levy of a writ of attachment or execution on this Lease;

(c) Appointment of a receiver with authority to take possession of the Premises in any proceeding or action to which Tenant is a party; or

(d) Foreclosure of any lien affecting Tenant's interest in the Premises, which lien was not consented to by Landlord pursuant to Paragraph 24.9. An involuntary assignment shall constitute a Default by Tenant and Landlord shall have the right to terminate this Lease, in which case this Lease shall not be treated as an asset of Tenant. In the event the Lease is not terminated, the provisions of Paragraph 24.2(c) regarding rents paid by an assignee or subtenant and Paragraph 24.4 shall apply. If a writ of attachment or execution is levied on this Lease, or if any involuntary proceeding in bankruptcy is brought against Tenant or a receiver is appointed, Tenant shall have sixty (60) days in which to cause the attachment or execution to be removed, the involuntary proceeding dismissed, or the receiver removed.

24.9 Hypothecation. Tenant shall not hypothecate, mortgage or encumber Tenant's interest in this Lease or in the Premises or otherwise use this Lease as a security device in any manner without the consent of Landlord, which consent Landlord may withhold in its sole and absolute discretion. Consent by Landlord to any such hypothecation or creation of a lien or mortgage shall not constitute consent to an assignment or other transfer of this Lease following foreclosure of any permitted lien or mortgage.

24.10 Binding on Successors. The provisions of this Paragraph 24 expressly apply to all heirs, successors, sublessees, assignees and transferees of Tenant.

25. Hazardous Materials.

25.1 Permitted Materials. Notwithstanding Paragraph 6.4 of the Lease, Tenant may use, keep and store in the Premises those Hazardous Materials listed on Exhibit "C" attached hereto, and such other Hazardous Materials which may be approved by Landlord from time to time in Landlord's reasonable discretion, in such quantities and volumes as are necessary to conduct Tenant's business in the Premises ("Permitted Materials"). Permitted Materials shall

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be used, kept, stored, disposed of, removed, and transported in strict compliance with all laws, ordinances, regulations, rules, orders, and policies of any federal, state, county, municipal, or other governmental authority (collectively, "Governmental Authority") having jurisdiction over Hazardous Materials ("Environmental Laws"). Upon Landlord's reasonable, written request, Tenant shall provide Landlord with an updated list of all Permitted Materials used, kept, or stored in the Premises. Tenant shall promptly comply with any

law, ordinance, or regulation of any Governmental Authority requiring modifications to the Premises or the improvements thereon that are intended to protect the Premises and the environment against the release of Hazardous Materials. Tenant shall obtain all necessary permits from applicable Governmental Authorities required to maintain the Permitted Materials and shall furnish Landlord, upon reasonable request by Landlord, with copies of such permits or any plans, reports or other material required to be filed with any Governmental Authority relating to the use of the Permitted Materials. Upon the expiration or sooner termination of this Lease, Tenant covenants to remove from the Premises or Common Area, at its sole cost and expense, any and all Hazardous Materials then located on or about the Premises or Common Area due to a Release of Hazardous Materials by Tenant or Tenant's agents.

Tenant and Tenant's agents shall not release or dispose, or allow the release or disposal, of any Hazardous Materials, including Permitted Materials, in, on, under, or in the vicinity of the Premises; provided, however, that Tenant shall dispose, remove and transport from the Premises and Common Area any and all Permitted Materials in accordance with all Environmental Laws. Tenant shall immediately notify Landlord of any inquiry, test, investigation, or enforcement proceeding by or against Tenant or the Premises or Common Area concerning Hazardous Materials. Tenant acknowledges that Landlord shall have the right, but not the obligation, in Landlord's own name, to participate in any negotiations with any Governmental Authority with regard to Tenant's Release of Hazardous Materials on the Premises or Common Area. Tenant shall, within five (5) days after receipt by Tenant, submit to Landlord copies of all inquiries, test and investigation results, and enforcement proceedings described above and copies of all reports and responses thereto prepared by or on behalf of Tenant. In connection with the transportation of any Hazardous Materials to or from the Premises, Tenant shall list itself as the transporter and generator.

25.2 Landlord's Inspection Rights. Landlord shall have the right, upon reasonable advance notice to Tenant, to inspect, investigate, sample and/or monitor the Premises and Common Area, including any soil, water, groundwater, or other sampling to the extent reasonably necessary to determine whether Tenant is complying with the terms of this Lease with respect to Hazardous Materials. In connection therewith, Tenant shall provide Landlord with reasonable access to all portions of the Premises; provided, however, that Landlord shall avoid any unreasonable interference with the operation of Tenant's business on the Premises. All costs incurred by Landlord pursuant to this subparagraph 25.2 above shall be reimbursed by Tenant to Landlord within ten (10) days after Landlord's demand for payment if it is determined that a Release of Hazardous Materials by Tenant or any of its agents, employees, contractors or tenants has occurred. If Tenant fails to perform or does not commence and thereafter diligently prosecute any obligation to be performed by Tenant under this Lease with respect to Hazardous Materials within sixty (60) days after the date of Tenant's receipt of Landlord's written notice of

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the obligation to be performed, Landlord shall have the right, but not the obligation, without limitation upon any of Landlord's other rights or remedies under this Lease or at law or in equity, to enter upon the Premises and perform Tenant's obligations hereunder at Tenant's expense. All sums reasonably disbursed, deposited, or incurred by Landlord in connection with the performance of such obligation, including, but not limited to, all costs, expenses, and actual attorneys' fees, shall be due and payable by Tenant to Landlord as an item of additional rent on demand by Landlord, together with interest thereon at the maximum rate allowed by law from the date of such demand until paid by Tenant.

25.3 Investigation and Remediation. If Tenant or any of its Agents Releases any Hazardous Materials in, on or under the Premises or any of the Common Areas, Tenant shall promptly commence an investigation of the extent of such Hazardous Materials contamination of the Premises and/or Common Areas. Within sixty (60) days after completion of such investigation, Tenant shall also prepare and submit to Landlord or within such period commence to prepare and thereafter diligently complete and submit to Landlord a comprehensive plan specifying the actions to be taken by Tenant to remediate the Hazardous Materials to levels permitted by applicable Environmental Laws ("Remediation Plan"). Any Remediation Plan shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld or delayed. Within thirty (30) days after Landlord's approval of the Remediation Plan, Tenant shall commence and diligently prosecute to completion all such actions necessary to

remediate the Hazardous Materials in accordance with the Remediation Plan. Any and all work performed pursuant to an Investigation Plan and/or Remediation Plan shall be performed at Tenant's sole cost and expense.

25.4 Tenant's Indemnity. Tenant shall indemnify, defend, and hold Landlord and Landlord's partners, employees, and agents harmless from and against any and all claims, actions, suits, proceedings, orders, judgments, losses, costs, damages, liabilities, or expenses (including, without limitation, attorneys' fees and costs of investigation, remediation, and/or cleanup) arising in connection with any Hazardous Materials Released by Tenant or any of Tenant's Agents in, on, under, or in the vicinity of the Premises or the Common Area, or any Hazardous Materials shipped thereto or therefrom, by Tenant or any of Tenant's Agents including, without limitation, (a) the investigation or remediation of Hazardous Materials Released by Tenant or any of Tenant's Agents in, on, or under the Premises or Common Area and the removal, transportation, and disposal of contaminated building materials, soils and/or groundwater arising from the remediation of such contamination, whether voluntary or required by any Governmental Authority; (b) ongoing monitoring of any Hazardous Materials contamination Released by Tenant or any of Tenant's Agents in, on, or under the Premises or Common Area, whether voluntary or required by any Governmental Authority; (c) the migration of any Hazardous Materials contamination Released by Tenant or any of Tenant's Agents to nearby properties, (d) personal injury, death, or property damage arising out of the presence of the Hazardous Materials contamination Released by Tenant or any of Tenant's Agents in, on, or under the Premises or Common Area; (e) damage to or loss of use of the Premises or Common Area or the environment or diminution in value of the Premises or Common Area caused by the Release of Hazardous Materials by Tenant or any of Tenant's Agents; and (f) fines, penalties, or other assessments levied against the Premises or Common Area or Landlord as a result of the

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presence of the Hazardous Materials contamination caused by Tenant or any of Tenant's Agents. The foregoing indemnity shall run to the benefit of Landlord, its partners, directors, officers, employees, agents, and successors and assigns, any existing or future lender who extends credit to Landlord, or its successors and assigns, which credit is secured by a mortgage or deed of trust on the Premises, any person or entity who acquires the interest of Landlord in the Premises (except Tenant), and any person who acquires a lender's interest in the Premises, either through foreclosure, deed in lieu of foreclosure, or exercise of any rights or remedies under the documents governing a loan or extension of credit.

25.5 Assignment and Subletting. It shall be presumptively reasonable for Landlord to withhold its consent to any proposed assignment or subletting if the proposed assignee or subtenant's use of the Premises would require the storage, use, handling, generation, disposal or transportation of Hazardous Materials other than the Permitted Materials unless such assignee or subtenant submits to Landlord, prior to occupancy, a list of Permitted Materials, which list shall be subject to the reasonable approval of Landlord.

25.6 Disclosures by Landlord. Landlord discloses to Tenant that, pursuant to an Order or Orders imposed by the California Regional Water Quality Control Board, certain remedial action has been undertaken or is being undertaken in connection with certain portions of the Common Area or soils or groundwater underlying such Common Area. The terms and conditions of that certain Covenant to Restrict Use of Property executed by RREEF USA FUND-III, a California Group Trust, and the California Regional Water Quality Control Board, recorded December 30, 1991, concerning the remedial action referred to above is incorporated herein by reference. The aforementioned recorded document affects that property at 3050 Coronado Drive and the parking lot adjacent thereto]. Tenant hereby acknowledges that Landlord has delivered or made available to Tenant, without representation as to accuracy or completeness, those certain environmental reports or studies referred to in Exhibit "D" attached hereto. Landlord hereby acknowledges and agrees that Tenant shall not be liable to Landlord for the clean up or remediation of, or cost to clean up or remediate, any Hazardous Materials existing on, in or under the Premises or the Common Area as of the Commencement Date of this Lease (unless Tenant or any of its Agents caused the Release of such pre-existing Hazardous Materials and/or Tenant or any of its Agents exacerbates the pre-existing environmental condition of the Premises or the Common Area, and in such latter case, Tenant shall only be liable to the extent of damages, losses, liabilities, costs or expenses incurred by Landlord as a result of such exacerbation of such pre-existing condition).

25.7 Environmental Assessments by Lender. Tenant shall permit any lender who has made or will make a loan secured by a deed of trust or mortgage affecting the Premises and/or real property comprising the Common Area, and/or such lender's agents, employees and consultants, to enter onto the Premises and/or the real property comprising the Common Area at reasonable times and with reasonable notice to Tenant in order to perform and/or cause to perform environmental testing and/or site assessments of such property, including, without limitation, Phase II environmental assessments, to the extent permitted under the deed or trust or mortgage and/or under any other loan documents executed in connection with such deed of trust or mortgage, provided that the performance and conduct of such environmental testing

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assessments shall not unreasonably interfere with Tenant's possession of the Premises or otherwise impede the conduct of Tenant's operations on the Premises and/or the real property comprising the Common Area.

25.8 Survival. The provisions of this Paragraph 25 shall survive any termination of the Lease.

26. Successors. Subject to the provisions of Paragraph 24 above and Paragraph 31.2(a) below, the covenants, conditions, and agreements contained in this Lease shall be binding on the parties hereto and on their respective heirs, successors and assigns.

27. Landlord Default; Mortgage Protection. 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. Any money judgment obtained by Tenant based upon Landlord's breach of this Lease shall be satisfied only out of the proceeds of the sale or disposition of Landlord's interest in the Premises (whether by Landlord or by execution of judgment) or the rents, issues or profits therefrom. In the event of any default on the part of Landlord under this Lease, Tenant shall give notice by registered or certified mail to any beneficiary of a deed of trust or any mortgagee of a mortgage affecting the Premises and/or the real property comprising the Common Area whose address shall have been furnished to Tenant, and shall offer such beneficiary or mortgagee a reasonable opportunity to cure the default, including time to obtain possession of the Premises by power of sale or judicial foreclosure, if such should prove necessary to effect a cure.

28. Exhibits. All exhibits attached to this Lease shall be deemed to be incorporated herein by the individual reference to each such exhibit, and all such exhibits shall be deemed to be a part of this Lease as though set forth in full in the body of the Lease.

29. Surrender of Lease Not 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 subtenants, or may, at the option of Landlord, operate as an assignment to Landlord of any or all such subleases or subtenants.

30. Waiver. The waiver by Landlord of any breach of any term, covenant or condition herein contained (or the acceptance by Landlord of any performance by Tenant after the time the same shall become due) shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach thereof or of any other term, covenant or condition herein contained, unless otherwise expressly agreed to by Landlord in writing. The acceptance by Landlord of any sum less than that which is required to be paid by Tenant shall be deemed to have been received only on account of the obligation for which it is paid (or for which it is allocated by Landlord, in Landlord's absolute discretion, if Tenant does not designate the obligation as to which the payment should be credited), and shall not be deemed an accord and satisfaction notwithstanding any provisions to the contrary written on any check or contained in

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any letter of transmittal. The acceptance by Landlord of any sum tendered by a

purported assignee or transferee of Tenant shall not be deemed a consent by Landlord to any assignment or transfer of Tenant's interest herein. No custom or practice which may arise between the parties hereto in the administration of the terms of this Lease shall be construed as a waiver or diminution of Landlord's right to demand performance by Tenant in strict accordance with the terms of this Lease.

31. General.

31.1 Captions and Headings. The captions and paragraph headings used in this Lease are for convenience of reference only. They shall not be construed to limit or extend the meaning of any part of this Lease, and shall not be deemed relevant in resolving any question of interpretation or construction of any paragraph of this Lease.

31.2 Definitions.

(a) Landlord. The term Landlord as used in this Lease, so far as the covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner at the time in question of the fee title to the Premises. In the event of any transfer(s) of such interest, the Landlord herein named (and in case of any subsequent transfers or conveyances, the then grantor) shall have no further liability under this Lease to Tenant except as to matters of liability which have accrued and are unsatisfied as of the date of such transfer, it being intended that the covenants and obligations contained in this Lease on the part of Landlord shall be binding on Landlord and its successors and assigns only during and in respect of their respective periods of ownership of the fee; provided that any funds in the possession of Landlord or the then grantor and as to which Tenant has an interest, less any deductions permitted by law or this Lease, shall be turned over to the grantee. The covenants and obligations contained in this Lease on the part of Landlord shall, subject to the provisions of this Paragraph 31.2(a), be binding upon each Landlord and such Landlord's heirs, personal representatives, successors and assigns only during its respective period of ownership. Except as provided in this Paragraph 31.2(a), this Lease shall not be affected by any transfer of Landlord's interest in the Premises, and Tenant shall attorn to any transferee of Landlord provided that all of Landlord's obligations hereunder are assumed in writing by such transferee.

(b) Agents. For purposes of this Lease and without otherwise affecting the definition of the word "agent" or the meaning of an "agency", the term "agents" shall be deemed to include the agents, employees, officers, directors, servants, invitees, contractors, successors, representatives subcontractors, guests, customers, suppliers, partners, affiliated companies, and any other person or entity related in any way to the respective party, Tenant or Landlord.

(c) Interpretation of Terms. The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. Words in the neuter gender include the masculine and feminine and words in the masculine or feminine gender include the neuter.

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31.3 Copies. Any executed copy of this Lease shall be deemed an original for all purposes.

31.4 Time of Essence. Time is of the essence as to each and every provision in this Lease requiring performance within a specified time, except as to the conditions relating to the delivery of possession of the Premises to Tenant.

31.5 Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Lease, but this Lease shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein. However, if Tenant's obligation to pay the Rentals is determined to be invalid or unenforceable, this Lease at the option of Landlord shall terminate.

31.6 Governing Law. This Lease shall be construed and enforced in accordance with the laws of the State of California.

31.7 Joint and Several Liability. If Tenant is more than one person or entity, each such person or entity shall be jointly and severally liable for the obligations of Tenant hereunder. If Tenant is a husband and wife, the obligations hereunder shall extend to their sole and separate property as well as community property.

31.8 Construction of Lease Provisions. Although printed provisions of this Lease were prepared by Landlord, this Lease shall not be construed either for or against Tenant or Landlord, but shall be construed in accordance with the general tenor of the language to reach a fair and equitable result.

31.9 Conditions. All agreements by Tenant contained in this Lease, whether expressed as covenants or conditions, shall be construed to be both covenants and conditions, conferring upon Landlord, in the event of a breach thereof, the right to terminate this Lease.

31.10 Tenant's Financial Statements. Tenant hereby warrants that all financial statements delivered by Tenant to Landlord are true, correct, and complete, and prepared in accordance with generally accepted accounting principles. Tenant acknowledges and agrees that Landlord is relying on such financial statements in accepting this Lease, and that a breach of Tenant's warranty as to such financial statements shall constitute a Default by Tenant.

31.11 Withholding of Landlord's Consent. Notwithstanding any other provision of this Lease, where Tenant is required to obtain the consent (whether written or oral) of Landlord to do any act, or to refrain from the performance of any act, Tenant agrees that if Tenant is in default with respect to any term, condition, covenant or provision of this Lease, then Landlord shall be deemed to have acted reasonably in withholding its consent if said consent is, in fact, withheld.

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32. Signs. Tenant shall not place or permit to be placed any sign or decoration on the Common Area or the exterior of the Premises or that would be visible from the exterior of the Premises, without the prior written consent of Landlord, which consent may be withheld in Landlord's absolute discretion. The preceding sentence to the contrary notwithstanding, Landlord acknowledges that it has no objection to signage that is substantially similar to the signage currently located at 2972 Stender Way, identifying the Tenant or its business, provided such signage is otherwise in compliance with all recorded documents affecting the Property, including but not limited to any Declaration of Conditions, Covenants and Restrictions (as the same may be amended from time to time), and applicable statutes, ordinances, rules and regulations of governmental agencies having jurisdiction thereof. In no event shall any such sign revolve, rotate, move or create the illusion of revolving, rotating or moving or be internally illuminated and there shall be no exterior spotlighting or other illumination on any such sign. Tenant, upon written notice by Landlord, shall immediately remove any of Tenant's signs or decorations that are visible from the exterior of the Premises or that Tenant has placed or permitted to be placed on the Common Area or the exterior of the Premises without the prior written consent of Landlord. If Tenant fails to so remove such sign or decoration within five (5) days after Landlord's written notice, Landlord may enter the Premises and remove such sign or decoration and Tenant shall pay Landlord, as Additional Rent upon demand, the cost of such removal. All signs placed on the Premises or Common Area by Tenant shall comply with all recorded documents affecting the Premises, including but not limited to any Declaration of Conditions, Covenants and Restrictions (as the same may be amended from time to time); and applicable statutes, ordinances, rules and regulations of governmental agencies having jurisdiction thereof. At Landlord's option, Tenant shall at Lease Termination remove any sign which it has placed on the Premises or the Common Area, and shall, at its sole cost, repair any damage caused by the installation or removal of such sign.

33. Intentionally Omitted.

34. Landlord Not a Trustee. Landlord shall not be deemed to be a trustee of any funds paid to Landlord by Tenant (or held by Landlord for Tenant) pursuant to this Lease, including without limitation the Security Deposit. Landlord shall not be required to keep any such funds separate from Landlord's general funds. Any funds held by Landlord pursuant to this Lease shall not bear interest.

35. Interest. Any payment due from Tenant to Landlord, except for Rent received by Landlord within thirty (30) days after the same is due, shall bear interest from the date of written notice from Landlord that such payment is past due, at an annual rate equal to the greater of: ten percent (10%); or five percent (5%) plus the rate established by the Federal Reserve Bank of San Francisco, as of the twenty-fifth (25th) day of the month immediately preceding the due date, on advances to member banks under Sections 13 and 13(a) of the Federal Reserve Act, as now in effect or hereafter from time to time amended. In addition, Tenant shall pay all costs and attorneys' fees incurred by Landlord in the collection of such amounts.

36. Surrender of Premises. On the last day of the Lease Term or upon the sooner termination of this Lease, Tenant shall, to the reasonable satisfaction of Landlord, surrender the

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Premises (excluding the HVAC units or system servicing the Building which shall be governed by the next sentence) to Landlord in the same condition as received (reasonable wear and tear excepted), but subject to Tenant's obligation to remove certain Alterations as provided in Paragraph 13.2 above and surrender such other Alterations with the Premises as provided in the last sentence of Paragraph 13.2. On the last day of the Lease Term or upon the sooner termination of this Lease, Tenant shall, to the reasonable satisfaction of Landlord surrender the air conditioning, ventilating and heating equipment (excluding the Older HVAC Units and any HVAC units that are not used by Tenant during the Lease Term) inspected, serviced and repaired by a reputable and licensed service firm. Tenant shall remove all of Tenant's personal property and trade fixtures from the Premises, and all property not so removed shall be deemed abandoned by Tenant. Furthermore, Tenant shall immediately repair all damage to the Premises and Common Area caused by any such removal. Landlord agrees to give Tenant written notice if Tenant left any personal property in the Premises following the expiration or earlier termination of the Lease Term. If the Premises are not so surrendered at Lease Termination in the condition required by this Paragraph 36, Tenant shall indemnify, defend and hold Landlord harmless from and against any loss, damage, expense, claim or liability resulting from delay by Tenant in so surrendering the Premises including, without limitation, any claims made by any succeeding tenant or losses to Landlord due to lost opportunities to lease to succeeding tenants.

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

38. Entire Agreement. Any agreements, warranties, or representations 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. This Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, whether written or oral, between Landlord and its agents and Tenant and its agents with respect to the Premises, Common Area or this Lease. This Lease constitutes the entire agreement between the parties hereto and no addition to, or modification of, any term or provision of this Lease shall be effective until and unless set forth in a written instrument signed by both Landlord and Tenant.

39. Submission of Lease. Submission of this instrument for Tenant's examination or execution does not constitute a reservation of space nor an option to lease. This instrument shall not be effective until executed by both Landlord and Tenant. Execution of this Lease by Tenant shall constitute an offer by Tenant to lease the Premises, which offer shall be deemed accepted by Landlord when this Lease is executed by Landlord and delivered to Tenant.

40. Quiet Enjoyment. Landlord covenants and agrees with Tenant that upon Tenant paying Rentals and performing its covenants and conditions under the Lease, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises for the Lease Term, subject, however, to the terms of this Lease and of any mortgages or deeds of trust affecting the Premises and/or the real property comprising the Common Area, and the rights reserved by

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Landlord hereunder. Any purchaser upon any foreclosure or exercise of the power of sale under any mortgage or deed of trust made by Landlord and covering the Premises to whom Tenant attorns pursuant to Paragraph 20.4 above shall be bound by the terms of this Paragraph 40.

41. Authority. The undersigned parties hereby warrant that they have proper authority and are empowered to execute this Lease on behalf of the Landlord and Tenant, respectively. If Tenant is a corporation (or partnership), each individual executing this Lease on behalf of said corporation (or partnership) represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the by-laws of said corporation (or on behalf of said partnership in accordance with the partnership agreement of such partnership), and that this Lease is binding upon said corporation (or partnership) in accordance with its terms. If Tenant is a corporation, Tenant shall upon execution of this Lease, deliver to Landlord a certified copy of the resolution of the Board of Directors of said corporation authorizing or ratifying the execution of this Lease or a certificate of the Secretary of the said corporation confirming the power and authority of the signatories of this Lease (on behalf of Tenant) to execute and deliver this Lease on behalf of Tenant and to bind Tenant to its terms. In the event Tenant should fail to deliver such resolution or certificate to Landlord upon execution of this Lease, Landlord shall not be deemed to have waived its right to require delivery of such resolution or certificate, and at any time during the Lease Term Landlord may request Tenant to deliver the same, and Tenant agrees it shall thereafter promptly deliver such resolution or certificate to Landlord. If Tenant is a corporation, Tenant warrants that:

- (a) Tenant is a valid and existing corporation;
- (b) Tenant is qualified to do business in California;
- (c) All fees and all franchise and corporate taxes are paid to date, and will be paid when due;
- (d) All required forms and reports will be filed when due; and
- (e) The signers of this Lease are properly authorized to execute this Lease.

42. Building Plans. Tenant acknowledges that any plan of the Premises and Common Area which may have been displayed or furnished to Tenant or which may be a part of Exhibit "A" is tentative; Landlord may change the exterior of the Premises and the shape, size, location, number, and extent of the Common Area improvements shown on any such plan and eliminate or add any improvements to the Common Area in Landlord's sole discretion; provided, however, that the Premises shall be substantially as shown on such plan, Tenant's use and enjoyment of the Premises shall not be unreasonably interfered with and any such change to the Common Area shall not unreasonably interfere with Tenant's parking rights under this Lease or access to the Premises.

IN WITNESS WHEREOF, the parties have executed this Lease effective as of the date set forth below.

LANDLORD:

SI HAHN LLC,
A California limited liability company

TENANT:

INTEGRATED DEVICE TECHNOLOGY
INTERNATIONAL, INC.,
a California corporation

By: _____
Sang Hahn
Title: Manager

By: _____
Title: _____

DATE: _____

By: _____
Title: _____

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EXHIBITS

- A. Site Plan Paragraph 1.4 (Premises shown cross-hatched and Common Area illustrated on such Site Plan)
- B. Legal Description Paragraph 2.1
- C. List of Permitted Hazardous Materials Paragraph 25
- D. List of Environmental Reports Paragraph 25.6
- E. Form of Subordination, Nondisturbance and Attornment Agreement Paragraph 20.2
- F. Form of Estoppel Certificate Paragraph 20.5
- G. HVAC Plan or List Paragraph 2.2 (Showing location or identification of Older HVAC Units)

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EXHIBIT C

LIST OF PERMITTED HAZARDOUS MATERIALS

[to be attached]

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EXHIBIT D

LIST OF ENVIRONMENTAL REPORTS

[to be attached]

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EXHIBIT G

SITE HVAC PLAN OR LIST SHOWING LOCATION OR

IDENTIFICATION OF OLDER HVAC UNITS

[to be attached]

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RENT PURCHASE AGREEMENT

by and among
SUMITOMO BANK LEASING AND FINANCE, INC.,
a Delaware corporation,
as Landlord
and
INTEGRATED DEVICE TECHNOLOGY, INC.,
a Delaware corporation
as RENT PURCHASER

RENT PURCHASE AGREEMENT

THIS RENT PURCHASE AGREEMENT ("Agreement"), dated as of September ____, 1999, is by and among Sumitomo Bank Leasing and Finance, Inc., a Delaware corporation ("Landlord"), and Integrated Device Technology, Inc., a Delaware corporation ("Rent Purchaser"), and shall be effective and binding upon Landlord and Rent Purchaser as of the date specified on the counterpart signature page of each hereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Lease as amended (defined below).

WHEREAS, pursuant to the Lease, Landlord has made Advances related to the Premises using its own funds pursuant to the Lease, and Landlord has leased the Premises to Tenant;

WHEREAS, Rent Purchaser shall purchase from Landlord an undivided interest in the Lease Investment Balance; and

WHEREAS, Rent Purchaser and Landlord are entering into this Agreement to set forth, among other things, the order of priority for distributions of funds received by Landlord under the Lease and the rights, duties and obligations of Landlord in connection with administrating the Lease.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows.

DEFINITIONS

For purposes of this Rent Purchase Agreement, the following terms shall have the meanings set forth in this Section 1.

"Advances" shall have the meaning as set forth in the Lease.

"Default Amounts" shall mean all amounts paid by Tenant or otherwise realized by Landlord as a result of the exercise of Landlord's remedies during the continuance of an Event of Default under the Lease.

"Insurance and Condemnation Payments" shall mean the portion of all compensation attributable to the Premises and awarded or paid upon any Taking, as described in Article 16 of the Lease, and paid to Landlord pursuant to

Article 16 of the Lease, plus a portion of all proceeds of insurance paid to Landlord pursuant to Article 17 of the Lease.

"Landlord's Base Rent Interest" shall mean the sum of (a) the portion of such payment of Base Rent equal to the product obtained by multiplying the Landlord Contribution Rate by the Landlord Contribution outstanding on each day during the relevant period, which amount is then prorated for the monthly rental period in question on the basis of a 360-day year and the actual number of days elapsed; plus (b) the same portion of each payment of interest paid by Tenant at the Default Rate on Base Rent.

"Landlord's Default Interest" shall mean Landlord's right to receive and retain, in the order of priority set forth in Section 1.2 hereof, so much of the Default Amounts that does not exceed the sum of (a) the aggregate amount of the accrued and unpaid Landlord's Base Rent Interest; plus (b) the Landlord's Purchase Price Interest.

"Landlord's Insurance and Condemnation Interest" shall mean Landlord's right to receive and retain, in the order of priority set forth in Section 1.2 hereof, so much of the Insurance and Condemnation Payments that does not exceed the sum of (a) Landlord's Percentage of the Insurance and Condemnation Payments, plus (b) the same portion of each payment of interest paid by Tenant at the Default Rate on the Insurance and Condemnation Payments.

"Landlord's Interests" shall mean the Landlord's Base Rent Interest, the Landlord's Default Interest, the Landlord's Insurance and Condemnation Interest; the Landlord's Purchase Price Interest and the Landlord's Termination Option Interest, and Landlord's Percentage of any other payment made by Tenant pursuant to the Lease which is required to be credited against, and cause the reduction of, the Lease Investment Balance.

"Landlord's Percentage" shall mean Landlord's percentage interest in the Lease Investment Balance. As of the date hereof, the Landlord's Percentage is equal to 21.3639123 %.

"Landlord's Purchase Price Interest" shall mean Landlord's right to receive and retain, in the order of priority set forth in Section 1.2 hereof, a portion of the Purchase Price payable by Tenant under Section 20.1 of the Lease, in the amount specified in Section 1.2.

"Landlord's Residual Interest" shall mean all of Landlord's rights, title and interest in and to the Operative Documents that are not included in the Rent Purchaser's Interests or the Landlord's Interests, including, without limitation, all costs and expenses (including counsel fees) incurred by Landlord in connection with an Event of Default and all costs of carry with regard to the Property in connection with a Termination Option.

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"Landlord's Termination Option Interest" shall mean Landlord's right to receive and retain, in the order of priority set forth in Section 1.2 hereof, a portion of the Termination Amount payable by Tenant pursuant to Section 20.2 of the Lease.

"Lease" shall mean that certain lease dated January 27, 1995 between Landlord and Tenant, as amended by that certain First Amendment to Sublease of Land and Lease of the Improvements dated December 11, 1995, and as further amended by that certain Second Amendment to Sublease of the Land and Lease of the Improvements dated on even date herewith.

"Lease Investment Balance" has the meaning set forth in the Lease.

"Percentage Interest" shall mean Landlord's Percentage and Rent Purchaser's Percentage, respectively.

"Rent Payment Date" shall have the meaning set forth in the Lease.

"Rent Purchaser's Base Rent Interest" shall mean the sum of (a) the portion of such payment equal to the product obtained by multiplying the LIBOR Rate by the Rent Purchaser Contribution outstanding on each day during the relevant period, which amount is then prorated for the monthly rental period in question on the basis of a 360-day year and the actual number of days elapsed; plus (b) the same portion of each payment of interest paid by Tenant at the Default Rate on Base Rent.

"Rent Purchaser's Default Interest" shall mean so much of the Default Amounts that does not exceed the sum of (a) the accrued and unpaid Rent

Purchaser's Base Rent Interest; plus (b) the Rent Purchaser's Purchase Price Interest.

"Rent Purchaser's Insurance and Condemnation Interest" shall mean so much of the Insurance and Condemnation Payments that does not exceed the sum of (a) Rent Purchaser's Percentage of the Insurance and Condemnation Payments, plus (b) the same portion of each payment of interest paid by Tenant at the Default Rate on the Insurance and Condemnation Payments.

"Rent Purchaser's Interests" shall mean the Rent Purchaser's Base Rent Interest, the Rent Purchaser's Default Interest, the Rent Purchaser's Insurance and Condemnation Interest, Rent Purchaser's Purchase Price Interest, the Rent Purchaser's Termination Option Interest, and Rent Purchaser's Percentage of any other payment made by Tenant pursuant to the Lease which is required to be credited against, and cause the reduction of, the Lease Investment Balance.

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"Rent Purchaser's Percentage" shall mean the percentage interest in the Lease Investment Balance of the Rent Purchaser. As to any individual Rent Purchaser, "Rent Purchaser's Percentage" shall mean the percentage interest in the Lease Investment Balance of such Rent Purchaser. As of the date hereof, the Rent Purchaser's Percentage is equal to 78.6360877 %.

"Rent Purchaser's Purchase Price Interest" shall mean (a) so much of the Lease Investment Balance payable by Tenant to Landlord pursuant to any exercise of the Purchase Option by Tenant under the Lease (including, without limitation, pursuant to Sections 17.2, 19.3(b), or 20.1 of the Lease) that does not exceed the Guaranteed Residual Value, plus (b) the same portion of any interest paid by Tenant at the Default Rate on the amount described in the preceding clause (a).

"Rent Purchaser's Termination Option Interest" shall mean (a) so much of the Termination Amount that does not exceed the Guaranteed Residual Value, plus (b) the same portion of any interest paid by Tenant at the Default Rate on the Termination Amount.

"Termination Amount" shall mean the sum of all Proceeds of any sale of the Premises pursuant to the Termination Option paid to Landlord pursuant to Section 20.2(d) of the Lease and all amounts payable by Tenant pursuant to Section 20.2(e) of the Lease resulting from the exercise of the Termination Option.

SECTION 1

DISTRIBUTIONS

1.1. General.

(a) Payment by Rent Purchaser of Consideration. Rent Purchaser shall pay to Landlord, and Landlord hereby acknowledges receipt from Rent Purchaser of, \$50,558,000.00 as consideration for the sale by Landlord to Rent Purchaser of Rent Purchaser's Interest.

(b) Distributions by Landlord. Upon Landlord's receipt of collected funds of any amount constituting a part of the Landlord's Interests or the Rent Purchaser's Interests, Landlord shall distribute the same, in the order of priority set forth in Section 1.2. Distributions to Rent Purchaser, shall be made by wire transfer in immediately available funds to Rent Purchaser's account in the United States as such Rent Purchaser shall notify Landlord in writing at least five (5) Business Days before the date of such distribution.

(c) Procedure for Distribution. If Landlord receives any Rent Purchaser's Interests to be distributed pursuant to Section 1.2 prior to 11:00 a.m.,

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New York time, on any Business Day, it shall distribute any such Rent Purchaser's Interests to Rent Purchaser by 2:00 p.m., New York time, on the same Business Day. If Landlord receives any such Rent Purchaser's Interests after 11:00 a.m., New York time, on a Business Day, it shall distribute such Rent

Purchaser's Interests to Rent Purchaser by 2:00 p.m., New York time, on the next Business Day. In the event that Landlord shall fail to make any such distribution by the time specified, Landlord shall pay to Rent Purchaser, on demand, the amount of such distribution with interest thereon at a rate equal to the average Federal Funds Rate for the period from the required date of distribution to the date on which Landlord makes such distribution available to Rent Purchaser in immediately available funds at the account referenced above. If Landlord does not make such distribution available to Rent Purchaser within three (3) Business Days after the required date of distribution, such Rent Purchaser, shall be entitled to recover such distribution with interest thereon at the Default Rate, on demand, from Landlord.

1.2. Priority.

(a) All amounts received by Landlord constituting any payment of Purchase Price, Default Amount, or Insurance and Condemnation Payment shall be distributed by Landlord in the following order of priority:

first: to Landlord for application by Landlord to any unpaid amounts due to Landlord in respect of the Landlord's Residual Interest;

second: so much of the proceeds remaining that does not exceed the Landlord's Interest shall be retained by the Landlord for itself;

third: so much of such amounts remaining that that does not exceed the Rent Purchaser's Interest shall be paid to the Rent Purchaser; and

fourth: the balance, if any, shall be paid to the Tenant.

(b) All amounts received by Landlord constituting any payment of Base Rent shall be distributed by Landlord to Landlord and Rent Purchaser, *pari passu*, in accordance with Landlord's Percentage and Rent Purchaser's Percentage.

(c) In the event Landlord receives any funds on account of Landlord's Residual Interest pursuant to a distribution made pursuant to Section 1.2(a), priority "first," and Landlord subsequently receives funds on account of Landlord's Residual Interest for which Landlord has already been so compensated by such distribution pursuant to Section 1.2(a), priority "first," then to such extent such excess funds shall be distributed to Rent Purchaser or Tenant as the priority requires.

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(d) All amounts received by Landlord constituting any payment of the Termination Amount shall be distributed by Landlord in the following order of priority:

(i) If the Premises are not sold:

first: to Landlord for application by Landlord to any unpaid amounts due to Landlord in respect of the Landlord's Residual Interest;

second: so much of such amounts remaining that that does not exceed the Rent Purchaser's Interest shall be paid to the Rent Purchaser; and

third: the balance, if any, shall be paid to the Tenant.

(ii) If the Premises are sold and the Proceeds equal or exceed the Lease Investment Balance, the portion of the Proceeds remaining which exceeds the Lease Investment Balance shall be paid to Tenant in accordance with Article 20.2 of the Lease and the portion of the Proceeds remaining which equals the Lease Investment Balance shall be distributed by u Landlord in the order of priority specified in Section 1.2(a).

(iii) If the Premises are sold and the Proceeds are less than the Lease Investment Balance:

first: to Landlord for application by Landlord to any unpaid amounts due to Landlord in respect of the Landlord's Residual Interest;

second: so much of the Proceeds remaining that does not exceed

the Landlord's Termination Option Interest shall be retained by the Landlord for itself;

third: so much of the sum of the Proceeds remaining plus the reimbursement payment from Tenant pursuant to Article 20.2 of the Lease as does not exceed the Rent Purchaser's Termination Option Interest shall be paid to Rent Purchaser; and

fourth: the balance, if any, shall be paid to Tenant.

SECTION 2
REPRESENTATIONS, WARRANTIES AND COVENANTS

2.1. Representations and Warranties of Landlord. Landlord represents and warrants to Rent Purchaser on the date hereof and on each Funding Date as follows:

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(i) Landlord is duly organized and validly existing in good standing under the laws of its jurisdiction of incorporation, and has the corporate power and authority to enter into and perform its obligations under this Agreement;

(ii) this Agreement has been duly authorized by all necessary corporate action on the part of Landlord and the execution, delivery and performance hereof by Landlord do not require the consent or approval of, the giving of notice to, the registration with, or the taking of any other action in respect of, any federal, state or foreign governmental authority or agency by Landlord, except such as has been duly obtained and is in full force and effect, and do not require any approval of stockholders of Landlord or any approval or consent of any trustee or holders of any indebtedness or obligations of Landlord, and has been duly executed and delivered by Landlord, and neither the execution and delivery hereof, nor the consummation of the transactions contemplated hereby, nor compliance by Landlord with any of the terms and provisions hereof will contravene any law of the country and state of incorporation of Landlord or any judgment, governmental rule, regulation or order applicable to or binding on Landlord or contravene or result in any breach of or constitute any default under, or result in the creation of any lien upon any property of Landlord under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan or credit agreement, charter, by-law or other agreement or instrument to which Landlord is a party or by which it or its properties may be bound or affected;

(iii) this Agreement constitutes a legal, valid and binding obligation of Landlord enforceable against Landlord in accordance with the terms hereof;

(iv) there are no suits or proceedings pending, or, to the best knowledge of Landlord, threatened, against or affecting Landlord before any court, governmental agency or arbitrator, which in the good faith opinion of Landlord, after consultation with counsel, would if adversely determined have a material adverse effect on the interests or the financial condition of Landlord or which would purport to affect the legality, validity or enforceability of this Agreement.

2.2. Representations and Warranties of Rent Purchaser. Rent Purchaser represents and warrants to Landlord on the date hereof and on each Funding Date as follows:

(i) Rent Purchaser is duly organized and validly existing in good standing under the laws of the jurisdiction of incorporation, and has the

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corporate power and authority to enter into and perform its obligations under this Agreement;

(ii) this Agreement has been duly authorized by all necessary corporate action on the part of Rent Purchaser and the execution,

delivery and performance hereof by such Rent Purchaser do not require the consent or approval of, the giving of notice to, the registration with, or the taking of any other action in respect of, any federal, state or foreign governmental authority or agency by Rent Purchaser, except such as has been duly obtained and is in full force and effect and do not require any approval of stockholders of Rent Purchaser or any approval or consent of any trustee or holders of any indebtedness or obligations of Rent Purchaser, and has been duly executed and delivered by Rent Purchaser, and neither the execution and delivery hereof, nor the consummation of the transactions contemplated hereby, nor compliance by Rent Purchaser with any of the terms and provisions hereof will contravene any law of the country and state of incorporation of Rent Purchaser or any judgment, governmental rule, regulation or order applicable to or binding on Rent Purchaser or contravene or result in any breach of or constitute any default under, or result in the creation of any lien upon any property of Rent Purchaser under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan or credit agreement, charter, by-law or other agreement or instrument to which Rent Purchaser is a party or by which it or its properties may be bound or affected;

(iii) this Agreement constitutes a legal, valid and binding obligation of Rent Purchaser, enforceable in accordance with its terms against Rent Purchaser, except as otherwise restricted in the written opinion of Rent Purchaser's counsel delivered on even date herewith;

(iv) there are no suits or proceedings pending, or, to the best knowledge of Rent Purchaser, threatened, against or affecting Rent Purchaser before any court, governmental agency or arbitrator, which in the good faith opinion of Rent Purchaser, after consultation with counsel, would if adversely determined have a material adverse effect on or the financial condition of Rent Purchaser or which would purport to affect the legality, validity or enforceability of this Agreement; and

(v) Rent Purchaser acknowledges receiving a copy of the Lease Documents.

2.3. Covenants.

2.3.1. Exercise of Rights Under Lease. Rent Purchaser acknowledges and agrees that all rights of Landlord to (i) exercise any remedy (including remedies against the Parcels), election or option, or make any

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decision or determination, or give any notice, consent, waiver or approval under or in respect of, the Lease or any other Lease Document, (ii) receive and to enforce the payment of the full amount of any damages (whether or not an Event of Default under the Lease has occurred), (iii) receive and enforce each installment of Base Rent, Additional Rent and all other amounts payable under the Lease and any other Lease Document, (iv) receive and enforce all amounts payable on account of any actual or constructive loss or damage to the Premises or any part thereof, (v) receive and enforce all payments on account of any sale of the Parcels, (vi) receive and enforce all insurance proceeds, condemnation or requisition payments or other payments of any kind for or with respect to the Premises or any part thereof, have been expressly retained by Landlord as part of the Landlord's Retained Residual Interests and that Landlord may exercise such rights, or choose not to, after making commercially reasonable efforts to confer with Rent Purchaser and seek its agreement to such exercise or forbearance. Rent Purchaser specifically agrees that in the event Landlord and Rent Purchaser cannot agree as to how to proceed to foreclose against the Parcels, Landlord shall have the right to judicially foreclose against the Premises without the agreement of Rent Purchaser. Nothing herein shall be deemed to confer upon Rent Purchaser the right to require Landlord to declare that an Event of Default has occurred, or otherwise take any particular enforcement or remedial action available to Landlord under the Lease Documents. Landlord agrees to use commercially reasonable efforts to notify Rent Purchase in writing of the occurrence of an Event of Default under the Lease Documents, but Landlord's failure to give Rent Purchaser any such notice shall not result in any liability of Landlord to Rent Purchaser. Landlord further agrees to use commercially reasonable means to enforce its rights under the Lease and this Agreement.

2.3.2. Return of Distribution. In the event that Landlord shall be required, as the result of any bankruptcy or insolvency proceeding of Tenant or otherwise, to return to Tenant or pay over to any court or other entity an amount (a "Returned Amount") that was distributed pursuant to

Section 1 hereof, Rent Purchaser shall on demand from Landlord pay to Landlord so much of the Returned Amount that was distributed to Rent Purchaser. On such payment, Rent Purchaser's right to receive such payment shall be reinstated as if no distribution of the Returned Amount has been made.

SECTION 3
PROVISIONS RELATING TO LANDLORD

3.1 Role of Landlord. Rent Purchaser acknowledge and agree that Landlord shall be responsible for the general administration and servicing of the Lease. In discharging such responsibilities, Landlord shall act in accordance with its customary procedures and practices in the administration and servicing of leases of a type similar to the Lease. Landlord shall retain

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possession of all of the Lease Documents and all other documents relating to the Lease. Photocopies or duplicate originals of any Lease Documents, all financial and other information concerning Tenant and/or the Premises and all other like documents and items prepared or received by Landlord after the date hereof in connection with the Lease shall be supplied by Landlord to Rent Purchaser upon written request therefor. Each Rent Purchaser may at all reasonable times at its expense, and upon reasonable prior written notice to Landlord, inspect, copy and audit Landlord's books and records pertaining to the Lease.

The parties agree that Landlord is not a party hereto in its capacity as Landlord under the Lease and Landlord is not assigning, and no Rent Purchaser is obtaining, any of the rights or obligations whatsoever of Landlord under the Lease Documents.

3.2 Immunities. Each Rent Purchaser acknowledges and agrees that Landlord (i) shall not, by reason of this Agreement, any Lease Document, or otherwise, be or be deemed to be a trustee, fiduciary or agent of any kind whatsoever for or on behalf of any Rent Purchaser; (ii) shall not have any duties or responsibilities with respect to Rent Purchaser except those expressly set forth in this Agreement; (iii) shall not be responsible to any Rent Purchaser for any recitals, statements, representations or warranties contained in any Lease Document, or in any certificate or other document referred to or provided for in, or received by any of them under, the Lease Documents (except to the extent explicitly made by Landlord herein), or for the value, validity, effectiveness, genuineness, enforceability, execution, filing, registration, collectability, recording, perfection, existence, or sufficiency of any Lease Document, or any other document referred to or provided for herein or therein or any Premises covered by the Lease or for any failure by any person to perform any of its obligations hereunder (except for its own breach hereof) or thereunder, and shall have no duty to inquire into or pass upon any of the foregoing matters; (iv) shall not be required to initiate or conduct any litigation or collection proceedings hereunder or under any Lease Document except to the extent required hereby or to the extent the failure to do so would constitute gross negligence or willful misconduct; (v) shall not be responsible for any mistake of law or fact or any action taken or omitted to be taken by it hereunder or under any Lease Document or any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, except for its own gross negligence or willful misconduct; (vi) shall not be responsible for any delay, error, omission, or default of any mail, telegraph, cable or wireless agency or operator; and (vii) shall not be responsible for the acts or edicts of any governmental or revenue authority. Landlord may employ agents, designees and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such parties selected by it with reasonable care. Notwithstanding the foregoing, nothing contained in this Section 3.2 shall relieve Landlord for any liability for breach of any provision of this Agreement.

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3.3 Reliance. Landlord shall be entitled to rely upon any certification, notice, or other communication (including any thereof by telephone, telex, facsimile, telegram or cable) believed by Landlord to be genuine and correct and to have been signed or sent by or on behalf of the proper person and upon advice and statements of legal counsel, independent accountants and other experts selected by Landlord. Landlord shall not be required in any way to determine the identity or authority or any person delivering or executing the same. Landlord shall in all cases be fully protected

in the acting or in refraining from acting hereunder and under the Lease Documents to the extent such action or failure to act does not constitute gross negligence or willful misconduct, and, any action taken or failure to act pursuant to the terms hereof shall be binding on all of the Rent Purchaser.

3.4 Injunctions. If any order, writ, judgment, or decree shall be made or entered by any court affect the rights, duties and obligations of Landlord under this Agreement or any Lease Document, then and in any of such events, the Landlord is authorized, in its sole discretion, to rely upon and comply with such order, writ, judgment, or decree which it is advised by legal counsel of its own choosing is binding upon it under the terms of this Agreement, the relevant Lease Documents, or otherwise; and, if Landlord complies with any such order, writ, judgment, or decree, then it shall not be liable to any Rent Purchaser or to any other person by reason of such compliance even though such order, writ, judgment, or decree may be subsequently reversed, modified, deemed inapplicable, annulled, set aside, or vacated.

3.5 Rights of Landlord. Subject to the terms and provisions hereof, Landlord may (without having to account therefor to Rent Purchaser) accept deposits from, lend money to, and generally engage in any kind of banking, financing, leasing, trust, letter of credit, agency or other business with Tenant (and any of its affiliates) and may accept fees and other consideration from Tenant for services in connection therewith.

3.6 Liability. Except as specifically set forth herein, neither Landlord nor any of its affiliates, directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (a) any statement, warranty or representation made in connection with the Lease Documents; (b) the performance or observance of any of the covenants or agreements of Tenant; (c) the satisfaction of any condition specified in the Lease Documents; or (d) the validity, effectiveness or genuineness of any of the Lease Documents or any other instrument or writing furnished in connection herewith or therewith.

SECTION 4

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MISCELLANEOUS

4.1 Rent Purchaser Due Diligence. Rent Purchaser acknowledges that it has, independently and without reliance upon Landlord, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Rent Purchaser also acknowledges that it will, independently and without reliance upon Landlord, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

4.2 Counterparts. This Agreement may be executed by the parties hereto in multiple counterparts and each counterpart, when so executed, shall be deemed an original, but all of which shall be considered as one agreement. Further, in making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

4.3 Survival. The representations, warranties, indemnities and agreements of Landlord and Rent Purchaser provided for in this Agreement shall survive the purchase of the Interests by Rent Purchaser

4.4 Modification, Binding Effect, etc. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified, except by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification is sought. The terms of this Agreement shall be binding upon, and inure to the benefit of, Rent Purchaser and its successors and permitted assigns and Landlord and its successors and permitted assigns. This Agreement shall in all respects be governed by, and construed in accordance with, the laws of the State of Oregon, including all matters of construction, validity and performance, but excluding the conflict of laws principles thereof.

4.5 Assignment. Rent Purchaser may not assign any of its rights or obligations hereunder (by participation or otherwise) without the prior written consent of the other parties hereto, which consent shall not be unreasonably withheld. Landlord shall not have the right to assign or otherwise

transfer its interests in this Agreement except to the extent that Landlord is permitted by the Lease to assign its interest in the Lease to a third party pursuant to Section 14.2 of the Lease; provided, however, that this Agreement may not be assigned separately from Landlord's interest in the Lease, and provided further that in connection with an assignment of the Lease, Landlord shall have the right to transfer its interests in this Agreement, without Rent Purchaser's or Tenant's consent, to another financial institution with a capitalization in excess of \$50,000,000.00; provided, however, the transferee

institution continues to satisfy all applicable accounting standards to permit the lease to retain operating lease treatment.

4.6 Notices. Any notice hereunder shall be in writing. Notices given by telegram, telecopier or personal delivery shall be deemed to have been given and received when sent and notices given by mail shall be deemed to have been given and received four business days after the date when sent by registered or certified mail, postage prepaid, and addressed to Landlord or Rent Purchaser at its address shown below its signature hereto, or at such other address as Landlord or any Rent Purchaser may by written notice received by the other, have designated as its address for such Purpose.

[Signatures begin on next page.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the date set forth on each counterpart signature page hereto.

LANDLORD: SUMITOMO BANK LEASING AND FINANCE, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

277 Park Avenue
New York, New York 10172
Attention: Chief Credit Officer

Date: _____, 1999

[Signatures continued on next page]

RENT PURCHASER: INTEGRATED DEVICE TECHNOLOGY, INC.

By: _____
Name: _____
Title: _____

Attention: _____

Date: _____, 1999

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SECOND AMENDMENT TO SUBLEASE OF THE LAND AND
LEASE OF THE IMPROVEMENTS

THIS SECOND AMENDMENT TO SUBLEASE OF THE LAND AND LEASE OF THE IMPROVEMENTS ("Second Amendment") is made and entered into as of September ____, 1999, by and between SUMITOMO BANK LEASING AND FINANCE, INC., a Delaware corporation ("Landlord"), and INTEGRATED DEVICE TECHNOLOGY, INC., a Delaware corporation ("Tenant" or "IDT").

THIS SECOND AMENDMENT IS ENTERED INTO upon the basis of the following facts, understandings and intentions.

A. Landlord and Tenant entered into that certain Sublease of the Land and Lease of the Improvements dated as of January 27, 1995 ("Lease"), pursuant to which Landlord leased to Tenant certain Land and Existing Improvements located in Washington County, Oregon and Landlord agreed to lease to Tenant certain Additional Improvements to be constructed on the Land pursuant to the terms of the Lease. Any capitalized terms used but not defined in this Second Amendment which are defined in the Lease shall have the meaning given such terms in the Lease;

B. Landlord and Tenant entered into a First Amendment to Sublease of the Land and Lease of the Improvements dated as of December 11, 1995 (the "First Amendment") (the Lease and the First Amendment are collectively referred to herein as the "Lease"), pursuant to which Landlord and Tenant agreed to amend the Lease to grant a purchaser at a foreclosure sale the option to purchase the then-existing Premises under the terms of the Lease and to further clarify certain provisions of the Lease; and

C. Landlord and Tenant have agreed to terminate that certain Pledge Agreement dated January 27, 1995 by and between Tenant and Landlord (the "Pledge Agreement") upon receipt of funds from the Rent Purchaser (as defined below). Furthermore, Landlord and Tenant, in conjunction with the termination of the Pledge Agreement have agreed to terminate the Institutional Custody Agreement dated January 27, 1995 by and between Tenant, Landlord and Sumitomo Bank of New York Trust Company, as custodian (the "Custodial Agreement").

D. Landlord and Tenant have agreed to amend the Lease as set forth herein to replace the bank debt currently provided by the Sumitomo Bank, Limited with funding from a Rent Purchaser Contribution advanced to Landlord by IDT, in its capacity as a Rent Purchaser ("Rent Purchaser"), pursuant to that Rent Purchase Agreement executed by Landlord and IDT of even date herewith (the "Rent Purchase Agreement"). Tenant has further agreed to pledge additional real estate collateral and improvements to Landlord in consideration

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for the new Commitment Amount. Such additional real estate collateral and improvements shall mean the DI/HF Treatment Building, an Energy Center, the Generator/Electrical Building, the Water Treatment Building, and tank farm (hereinafter, collectively referred to as the "Additional Collateral"). In addition to the foregoing, the Lease is hereby amended more particularly as described hereinbelow.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. Base Lease Term. Section 1.7 of the Lease shall be amended to provide for an Expiration Date of May 20, 2005.
2. Addresses for Notices. Section 1.11 of the Lease shall be amended to provide a new address for counsel to Landlord. The address for Landels, Ripley & Diamond shall be deleted and replaced with:

Paul, Hastings, Janofsky & Walker, LLP
345 California Street, Suite 2900
San Francisco, CA 94104
Attention: Gary S. Hand, Esq.

3. Commitment Amount. The Commitment Amount, as defined in Section 2.10 of the Lease shall be increased to \$64,293,636.00 That portion of the Commitment Amount which represents a new commitment from Landlord shall be considered an Advance pursuant to the terms of the Lease and disbursed to Tenant by Landlord on the closing date of this Amendment.
4. Guaranteed Residual Value. The Guaranteed Residual Value, as defined in the Lease, shall be changed to 78.6360877%.
5. Landlord Contribution Rate. The rate applicable to that portion of the Lease Investment Balance which represents the Landlord's contribution to the Lease Investment Balance (the "Landlord Contribution") shall be calculated at LIBOR plus one hundred fifty-five (155) basis points. The Landlord Contribution as of the date hereof is \$13,735,636.00.
6. Rent Purchaser Contribution Rate. The rate applicable to that portion of the Lease Investment Balance which represents the Rent Purchaser's contribution to the Lease Investment Balance (the "Rent Purchaser Contribution") shall be calculated at LIBOR plus twelve and one-half (12.5) basis points. The Rent Purchaser Contribution as of the date hereof is \$50,558,000.00.

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7. Base Rent. The definition of Base Rent in Section 2.3 of the Lease is hereby replaced with the following language: "'Base Rent' shall mean, as of a Rent Payment Date, that annual amount equal to the sum of (i) the Rent Purchaser Contribution multiplied by the Rent Purchaser Contribution Rate, the product of which is then divided by the Lease Investment Balance (at the time of the relevant calculation), plus (ii) the Landlord Contribution multiplied by the Landlord Contribution Rate, the product of which is then divided by the Lease Investment Balance (at the time of the relevant calculation), which amount is then prorated for the Calculation Period in question on the basis of a 360 day year and the actual number of days elapsed."
8. Rent Purchaser's Deed of Trust. In conjunction with the Rent Purchase Agreement, being executed on even date herewith, Landlord shall grant a Deed of Trust for the benefit of the Rent Purchaser ("Rent Purchaser's Deed of Trust"), and such Rent Purchaser's Deed of Trust shall be subject only to the Permitted Title Exceptions. Section 14.1 of the Lease shall be amended to allow for the Rent Purchaser's Deed of Trust as a permitted exception. Section 2.30 of the Lease shall be amended to include the Rent Purchaser's Deed of Trust as a Permitted Title Exception.
9. Right of Offset. Provided IDT is Tenant under the Lease, IDT shall have a right of offset against amounts owing Landlord under the Lease for amounts owing to IDT, as Rent Purchaser, from Landlord pursuant to the Rent Purchase Agreement. Landlord shall have a right to offset amounts owing to IDT under the Rent Purchase Agreement against amounts owing Landlord by IDT, as Tenant, pursuant to the Lease. Without limiting the generality of the foregoing, and provided IDT is both Tenant under the Lease and Rent Purchaser under the Rent Purchase Agreement, if IDT as Tenant under the Lease becomes obligated to pay amounts that are to be credited toward the Lease Investment Balance (e.g., Purchase Price or Termination Amount, as defined in the Rent Purchase Agreement), IDT may immediately exercise its right to offset (and thereby reduce) such obligation by amounts that would be due from Landlord to IDT as Rent Purchaser under the Rent Purchase Agreement had Landlord received the payment required of IDT as Tenant under the Lease, which exercise of such offset right shall satisfy Landlord's obligation to make required payments to IDT as Rent Purchaser under the Rent Purchase Agreement to the extent of such offset. Notwithstanding the generality of the foregoing, the rights of offset contained in this paragraph shall not apply to the monthly payments of Base Rent, except IDT as Tenant may offset against a subsequent month's Base Rent payment the amount not remitted by Landlord to IDT as Rent Purchaser for the preceding month, in accordance with the terms of the Rent Purchase Agreement.

10. Deed of Trust for Additional Collateral. As further consideration for Landlord to enter into this Agreement, Tenant is granting to Landlord a security interest in the Additional Collateral, as more particularly described in that First Amendment to Line of Credit Trust Deed (including Fixture Filing and Assignment of Rents) (the "SBLF Mortgage") being executed concurrently herewith. The SBLF Mortgage, as amended, shall remain a first position deed of trust on all collateral and shall be a permitted exception for purposes of Sections 2.30 and 14.1 of the Lease.
11. Financial Covenants. Section 19.1(g) of the Lease shall be amended to provide for a tangible net worth of not less than \$200,000,000.00 which shall be measured and monitored on a quarterly basis in conjunction with the quarterly financial statements required by Section 21.21 of the Lease.
12. Default in Payment for Other Credit Facility. The amount in Section 19.1(h) shall be increased from a payment in the amount of \$1,000,000.00 to a payment in the amount of \$10,000,000.00.
13. Change of Ownership Control. In the event an unrelated third party acquires ownership in the aggregate of forty-nine percent (49%) or more of the voting securities of Tenant, it shall be deemed a "Change of Ownership Control." Upon a Change of Ownership Control, Landlord shall have the right to terminate the Lease and require the Tenant to exercise the Purchase Option pursuant to Section 20.1 of the Lease. Tenant shall give Landlord written notice of such Change of Ownership within thirty (30) days of such change. After Landlord receives written notice of such Change in Ownership Control Landlord shall notify Tenant within ninety (90) days of Landlord's receipt of such notice, in writing of its intent to terminate the Lease upon such a Change of Ownership Control. Landlord's failure to notify Tenant of such termination within the ninety (90) days will be deemed a waiver of Landlord's right to terminate the Lease based on a Change of Ownership Control.
14. LIBOR Rate. The definition of LIBOR Rate in Section 2.27 of the Lease shall be amended to include the following language at the end of the definition: "If LIBOR is unavailable, the applicable rate shall be the Federal Funds Rate (defined for purposes of this section 2.27 as the rate of interest given by the Federal Reserve of the United States to participating banks for borrowings corresponding to the Borrowing Period) plus fifty (50) basis points."
15. Additional Representation and Warranty of Landlord. Landlord is a substantive entity with equity capital in excess of Six Hundred Million Dollars (\$600,000,000.00) as of the date of this Amendment. Landlord shall provide Tenant a copy of an audited balance sheet for Landlord,

prepared in accordance with GAAP, on an annual basis within one hundred twenty (120) days of the conclusion of its fiscal year end. Landlord will continue to maintain an equity investment in the Lease sufficient to meet the SFAS 13 accounting criteria for operating lease treatment and will comply with the Emerging Issue Task Force's issues 90-15 and 96-21 with regard to the Lease.

16. Additional Rights of IDT as Ground Lessor under Termination Option. Section 20.2(c) of the Lease shall be amended to include the following language at the end of the referenced section: "If IDT as tenant under the Lease (hereinafter, "Tenant"), terminates the Lease pursuant to Section 20.2 of the Lease and if the Sumitomo Bank Leasing and Finance, Inc. as landlord under the Lease (hereinafter, "Landlord"), sells the Improvements after the expiration of the Sales Period (as defined in the Lease), or if Landlord sublets the Improvements after the Sales Period, then Ground Lessor shall have the right, in its sole discretion and within thirty (30) days of the election by Landlord to sell or sublet, to increase the rental due under the Ground Lease to the lower of: (a) a fair market value rental, as determined by an appraisal,

(valued as unimproved, zoned and entitled to permit the use then being conducted thereon, and unencumbered by this Lease, the SBLF Mortgage, the Rent Purchaser's Deed of Trust, and any other then existing exception to title that is not a Permitted Title Exception) at the time the Termination Option is elected by Tenant, or (b) the projected fair market value rental of \$33,333.33 per month, as determined by Cushman & Wakefield, with regard to its appraisal completed in conjunction with this transaction, dated August 31, 1999 (the "Appraisal"). Landlord shall also have the right to purchase the Land which is the subject of the Ground Lease for the lower of: (x) the fair market value, as determined by an appraisal, (valued as unimproved, zoned and entitled to permit the use then being conducted thereon, and unencumbered by this Lease, the SBLF Mortgage, the Rent Purchaser's Deed of Trust, and any other then existing exception to title that is not a Permitted Title Exception) at the time the Tenant elects the Termination Option, or (y) the projected fair market value of \$4,000,000.00, as determined by Cushman & Wakefield in its Appraisal. Should Ground Lessor and Ground Lessee fail to agree on the adjustment to the Ground Lease payments pursuant to the foregoing, the manner of adjusting the Ground Lease payment, for purposes of this section, shall be governed by an appraisal conducted by a mutually acceptable commercial property appraiser, similar to Cushman & Wakefield, and the parties agree to abide by the assessment of the appraiser. Within thirty (30) days of the conclusion of the Sales Period, Ground Lessor must provide Landlord written notice of the amount of the increased Ground Lease payments pursuant to this section; thereafter, Landlord shall provide Ground Lessor written notice within one hundred eighty (180) days of receipt of the notice of its intent to either sell,

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sublease or purchase the Land subject to the increased Ground Lease payment." In conjunction with this Paragraph 16, Landlord and Tenant agree to amend the Ground Lease accordingly. Nothing in this Second Amendment shall affect any of the parties' other rights pursuant to the Ground Lease, as specified therein.

17. Termination of Pledge Agreement and Institutional Custody Agreement. Upon receipt of the funds provided by Rent Purchaser, in accordance with the Rent Purchase Agreement dated of even date herewith, Landlord and Tenant agree to terminate the Custodial Agreement by executing a letter, along with the present custodian under the Custodial Agreement, releasing said custodian from its responsibilities under the Custodial Agreement. The execution of this Second Amendment by Landlord and Tenant shall serve as the termination of the Pledge Agreement. With regard to the release of the Collateral, Sections 2.9 and 21.16 of the Lease are deleted and references to "Pledge Agreement" in Sections 2.31, 2.43 and 19.1(e) are also hereby deleted.
18. Assignment or Transfer by Landlord. Landlord shall have the right to transfer its interest in the Premises to another financial institution with a capitalization in excess of \$50,000,000.00 without Tenant's approval; provided, however, that the transferee financial institution continues to satisfy all accounting criteria for the treatment of this Lease as an operating lease for financial accounting purposes.
19. Counterparts. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall comprise but a single instrument.
20. Representations and Warranties. Tenant represents and warrants that (1) no Event of Default exists under the Lease as of the date hereof; and (2) Tenant has the full right and authority to enter into this Second Amendment and the persons signing this Second Amendment have full power and authority to bind Tenant. All representations and warranties of Tenant pursuant to the Lease are hereby restated by Tenant as though such representations and warranties are being made anew in conjunction herewith, and such representations and warranties remain in full force and effect, unless otherwise amended.
21. Existing Lease. Except to the extent specifically amended hereby and pursuant to the First Amendment, all terms and conditions of the Lease remain in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Second Amendment as of the date and year first written above.

"TENANT"

INTEGRATED DEVICE TECHNOLOGY, INC.,
a Delaware corporation

By: _____
Name: _____
Its: _____

(Signatures continue on next page)

"LANDLORD"

SUMITOMO BANK LEASING AND FINANCE, INC.,
a Delaware corporation

By: _____
Name: _____
Its: _____

EXHIBIT 21.1

LIST OF REGISTRANTS SUBSIDIARIES

	State or Other Jurisdiction of Incorporation	Owned by Registrant	
Clear Logic, Inc.	California	21	
Baccarat Coyote Inc.	California	100	
Baccarat Silicon, Inc.	California	100	
Bay Semiconductor, Inc.	California	100	
Integrated Device Technology Asia Limited	Hong Kong	100	
IDT Asia, Limited	Hong Kong	100	
IDT Design Australia Pty Ltd.	Australia	100	
IDT Europe Limited	United Kingdom	100	
I.D.T. France S.A.R.L.	France	100	
IDT Foreign Sales Corporation	Barbados	100	
Integrated Device Technology International Holdings, Inc.	California	100	
Integrated Device Technology, Inc. Cayman Islands Corporation	Cayman Islands	100	
IDT Integrated Device Technology AB (Sweden)	Sweden	100	
Integrated Device Technology Europe, Inc.	California	100	
Integrated Device Technology GmbH	Germany	100	
Integrated Device Technology (Israel) Ltd.	Israel	100	
Integrated Device Technology S.r.l.	Italy	100	
Integrated Device Technology Korea, Inc.	Korea	100	
Integrated Device Technology (Malaysia) SDN. BHD	Malaysia	100	
Integrated Device Technology Realty Holdings, Inc.	Philippines	40	
Integrated Device Technology Holding Inc.	Philippines	40	
Integrated Device Technology (Philippines), Inc.	Philippines	100	
Integrated Device Technology Singapore (1997) Pte Ltd	Singapore	100	
Nippon IDT K.K.	Japan	100	
Quality Semiconductor, Inc.	California	100	
Quality Semiconductor Australia Pty. Ltd.	Australia	100	

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-4681, 33-34458, 33-54937, 33-63133, 33-15871, 333-36601, 333-45245, 333-77559, 333-64279 and 333-35124 of Integrated Device Technology, Inc. of our report dated April 21, 2000, except for Note 15, which is as of May 15, 2000, relating to the consolidated financial statements and our report dated April 21, 2000, except for Note 15, which is as of May 15, 2000, relating to the financial statement schedules, which appear in this Form 10-K.

PricewaterhouseCoopers LLP
San Jose, California
June 26, 2000

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF INTEGRATED DEVICE TECHNOLOGY, INC. AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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