

September 23, 2012

Vince Machado  
Sherman Chan  
222 W. Santa Clara Street, Suite 1050  
San Jose, CA 95113

**RE: Proposal to Lease for 1900 McCarthy Boulevard, Suite 301, Milpitas, CA**

Gentlemen:

On behalf of Shenick Network Systems, we are pleased to present the following Proposal to Lease. Listed below are the terms and conditions that our client would consider incorporating into a Lease Agreement.

**1. PARTIES:**

The Realty Associates Fund VIII, LP as "Landlord"  
Shenick Network Systems as "Tenant"

**2. PREMISES:**

1900 McCarthy Boulevard, Suite 301, consisting of approximately 3,261 rentable square feet ("RSF")

**3. LEASE COMMENCEMENT DATE:**

November 1, 2012 with early occupancy at least 15 days before for setting up of the premises for tenant's occupancy.

**4. EARLY ACCESS:**

Provided it does not delay Landlord's delivery of the Premises, Tenant shall have early access to the premises free of Base Rent and Operating Expenses from the date of a signed lease to conduct business.

**5. LEASE TERM:**

The Lease Term for the Premises shall be for 26 months.

**6. USE:**

Tenant would occupy the Premises for general office use and other related uses, subject to Landlord's approval, which shall not be unreasonably withheld.

**7. FULL SERVICE RENT:**

The full service rent ("Base Rent") shall be as follows:

<b>Months</b>	<b>NNN/RSF/Month</b>
01 – 02	Free
03– 14	\$1.55
15 – 26	\$1.55

**8. OPERATING EXPENSES AND REAL ESTATE TAXES:**

Base year to be 2013

**9. OPTION TO RENEW:**

Tenant will have 1 option to renew the lease at 95% Fair Market Value (FMV)

**10. TENANT IMPROVEMENTS:**

Landlord shall Turnkey the following tenant improvements on the Premises at the landlord sole expense.

- Demolition of select Existing Walls as noted on Exhibit A to turn 2 interior offices into a board room with single door entry and sidelights on the door.
- Carpet – New carpet throughout the Premises.
- Newly painted walls in colors chosen by the tenant and agreed to by the landlord.
- Construction of a kitchen with dishwasher in the location designated on Exhibit with sufficient outlets for microwave, coffee maker, and refrigerator.
- Electrical distribution for the offices
- Ensure at least 2 tons of dedicated HVAC to the server room.

**11. ASSIGNMENT AND SUBLETTING:**

Tenant shall have the right to sublease all or a portion of the Premises with the approval of Landlord, which cannot be unreasonably withheld. Any sublease profits would be split equally between Tenant and Landlord after Tenant deducts their reasonable sublease costs.

Tenant may without Landlord's prior written consent, sublet or assign the Lease to: (i) a subsidiary, affiliate, division or corporation controlled or under common control with Tenant; (ii) a purchaser of substantially of all Tenant's capital stock or assets located in the Premises. For the purpose of the Lease, sale or transfer of Tenant's capital stock, including without limitation, a transfer in connection with the merger, consolidation or non-bankruptcy reorganization of Tenant and any sale through any public exchange, shall not be deemed an assignment, subletting, or any other transfer of the Lease or the Premises.

**12. SECURITY DEPOSIT:**

Tenant shall provide a Security Deposit equal to the last 1 month of rent.

**13. SIGNAGE:**

Landlord shall provide Tenant with signage on the entrance to the suite and both monument signs, along with directory board signage consistent with the signage program implemented by the Landlord.

**14. ENVIRONMENTAL INDEMNIFICATION:**

Landlord warrants to the best of Landlord's knowledge, the building, the site, and the Premises are free of any Hazardous Materials or spills requiring notification or reporting to any governmental regulatory agency.

**15. PARKING:**

Tenant shall receive non-exclusive use of the building's surface parking that would allow for a 3.5/1000 parking ratio. There shall be no additional cost, charges, or rent payable in connection with parking.

**16. ISP:** Please specify the ISP (Internet suppliers available) to the building

**17. BROKERAGE:**

Tenant is being represented by Dan Haddock and Sushma Malhotra of S5 Advisory Inc. and Landlord is being represented by Vince Machado and Sherman Chan of CBRE. Landlord will pay full market fee for the transaction



YOUR CRE PARTNER

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**18. RESPONSE TIME:**

The terms and conditions expressed in this letter will be effective until 12:00 P.M NOON three (3) days from the date of this proposal at which time all terms and conditions expressed shall become null and void.

**19. CONDITION OF PREMISES:**

Landlord shall warrant and deliver to Tenant upon the Lease Commencement Date, the good operating condition and repair of the existing site. Landlord shall also warrant that upon the Lease Commencement Date the existing Premises shall be in compliance with current building code requirements for seismic and structural strength, ADA and Title 24.

**DISCLOSURES:**

It is expressly understood that this non-binding letter of intent is intended to help determine several of the basic terms and conditions under which Tenant would enter into a formal Lease agreement with Landlord for the proposed Premises. This letter shall only serve to form part of the basis for the Lease Agreement that must be agreed upon and executed by all parties. This non-binding letter of intent is not intended to be contractual in nature and neither Tenant nor Landlord shall be obligated to proceed in good faith, or by any other standard, to enter into a binding Lease agreement based upon the terms set forth above. A binding agreement will only exist when the Lease agreement is executed by duly authorized representatives from all parties. Additionally, Tenant reserves the right to negotiate and enter into a binding Lease agreement with other parties for all or a portion of the Premises until a mutually acceptable Lease agreement is fully executed.

**LANDLORD:** The Realty Associates Fund VIII, LP, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_

**TENANT:** Shenick Network Systems

By: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_

**Notice to Landlord and Tenant:**

**S5 Advisory Inc., Broker, is neither intending nor authorized to give legal or tax advice. No representation or recommendation is made by S5 Advisory, Broker, or its agents or employees to the legal sufficiency, legal effect or tax consequences of this document or any transaction relating thereto since these are matters which should be discussed with your attorney.**