UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2015**

or

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

For the transition period from ________________ to ________________

Commission file number: **0-10394**

DATA I/O CORPORATION

(Exact name of registrant as specified in its charter)

Washington	91-0864123
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6645 185th Ave NE, Suite 100, Redmond, Washington, 98052

(Address of principal executive offices, including zip code)

(425) 881-6444

(Registrant's telephone number, including area code)

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 X No __

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

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

Large accelerated filer __ Accelerated filer __ Non-accelerated filer __ Smaller reporting company X

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes _ NoX

Shares of Common Stock, no par value, outstanding as of August 1, 2015:

7,929,260

DATA I/O CORPORATION

FORM 10-Q

For the Quarter Ended June 30, 2015

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PART I - FINANCIAL INFORMATION

Item 1. **Financial Statements**

DATA I/O CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(UNAUDITED)

	June 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$9,145	$9,361
Trade accounts receivable, net of allowance for doubtful accounts of $90 and $93, respectively	3,467	4,109
Inventories	4,116	4,445
Other current assets	403	426
TOTAL CURRENT ASSETS	17,131	18,341
Property, plant and equipment – net	1,003	926
Other assets	64	65
TOTAL ASSETS	$18,198	$19,332
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$990	$968
Accrued compensation	1,195	1,756
Deferred revenue	1,022	1,801
Other accrued liabilities	702	640
Accrued costs of business restructuring	103	113
TOTAL CURRENT LIABILITIES	4,012	5,278
Long-term other payables	115	183
COMMITMENTS	-	-
STOCKHOLDERS' EQUITY		
Preferred stock - Authorized, 5,000,000 shares, including 200,000 shares of Series A Junior Participating Issued and outstanding, none	-	-
Common stock, at stated value - Authorized, 30,000,000 shares Issued and outstanding, 7,929,260 shares as of June 30, 2015 and 7,861,141 shares as of December 31, 2014	18,867	18,704
Accumulated earnings (deficit)	(5,794)	(5,943)
Accumulated other comprehensive income	998	1,110
TOTAL STOCKHOLDERS' EQUITY	14,071	13,871
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$18,198	$19,332

See notes to consolidated financial statements

DATA I/O CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Net Sales	$4,958	$5,599	$10,860	$10,418
Cost of goods sold	2,236	2,577	5,280	4,901
Gross margin	2,722	3,022	5,580	5,517
Operating expenses:				
Research and development	1,243	1,173	2,341	2,323
Selling, general and administrative	1,415	1,456	2,953	3,144
Provision for business restructuring	-	-	-	13
Total operating expenses	2,658	2,629	5,294	5,480
Operating income	64	393	286	37
Non-operating income (expense):				
Interest income	27	53	58	72
Foreign currency transaction gain (loss)	7	8	(188)	27
Total non-operating income (expense)	34	61	(130)	99
Income before income taxes	98	454	156	136
Income tax (expense) benefit	2	(7)	(7)	(32)
Net income	$100	$447	$149	$104
Basic earnings per share	$0.01	$0.06	$0.02	$0.01
Diluted earnings per share	$0.01	$0.06	$0.02	$0.01
Weighted-average basic shares	7,894	7,814	7,879	7,801
Weighted-average diluted shares	8,078	7,899	8,062	7,892

See notes to consolidated financial statements

DATA I/O CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Net Income	$100	$447	$149	$104
Other comprehensive income:				
Foreign currency translation gain (loss)	59	24	(112)	(196)
Comprehensive income	$159	$471	$37	($92)

See notes to consolidated financial statements

DATA I/O CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(UNAUDITED)

	For the Six Months Ended June 30,	
	2015	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$149	$104
Adjustments to reconcile net income (loss)		
to net cash provided by (used in) operating activities:		
Depreciation and amortization	274	320
Equipment transferred to cost of goods sold	42	140
Share-based compensation	238	211
Net change in:		
Trade accounts receivable	549	(3,189)
Inventories	286	(165)
Other current assets	22	67
Accrued cost of business restructuring	(66)	(502)
Accounts payable and accrued liabilities	(467)	872
Deferred revenue	(681)	915
Other long-term liabilities	(45)	(35)
Net cash provided by (used in) operating activities	301	(1,262)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(394)	(707)
Cash provided by (used in) investing activities	(394)	(707)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock, net of tax withholding	(60)	(25)
Cash provided by (used in) financing activities	(60)	(25)
Increase/(decrease) in cash and cash equivalents	(153)	(1,994)
Effects of exchange rate changes on cash	(63)	(212)
Cash and cash equivalents at beginning of period	9,361	10,426
Cash and cash equivalents at end of period	$9,145	$8,220
Supplemental disclosure of cash flow information:		
Cash paid (received) during the period for:		
Income Taxes	($10)	$15

See notes to consolidated financial statements

DATA I/O CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - FINANCIAL STATEMENT PREPARATION

Data I/O Corporation ("Data I/O", "We", "Our", "Us") prepared the financial statements as of June 30, 2015 and June 30, 2014 according to the rules and regulations of the Securities and Exchange Commission ("SEC"). These statements are unaudited but, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary to present fairly the results for the periods presented. The balance sheet at December 31, 2014 has been derived from the audited financial statements at that date. We have condensed or omitted certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America according to such SEC rules and regulations. Operating results for the three and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. These financial statements should be read in conjunction with the annual audited financial statements and the accompanying notes included in our Form 10-K for the year ended December 31, 2014.

Revenue Recognition

We recognize revenue at the time the product is shipped. We have determined that our programming equipment has reached a point of maturity and stability such that product acceptance can be assured by testing at the factory prior to shipment and that the installation meets the criteria to be considered a separate element. These systems are standard products with published product specifications and are configurable with standard options. The evidence that these systems could be deemed as accepted was based upon having standardized factory production of the units, results from batteries of tests of product performance to our published specifications, quality inspections and installation standardization, as well as past product operation validation with the customer and the history provided by our installed base of products upon which the current versions were based.

The revenue related to products requiring installation that is perfunctory is recognized at the time of shipment. Installation that is considered perfunctory includes any installation that can be performed by other parties, such as distributors, other vendors, or in most cases the customers themselves. This takes into account the complexity, skill and training needed as well as customer expectations regarding installation.

We enter into multiple deliverable arrangements that arise during the sale of a system that includes an installation component, a service and support component and a software maintenance component. We allocate the value of each element based on relative selling prices. Relative selling price is based on the selling price of the standalone system. For the installation and service and support components, we use the value of the discount given to distributors who perform these components. For software maintenance components, we use what we charge for annual software maintenance renewals after the initial year the system is sold. Revenue is recognized on the system sale based on shipping terms, installation revenue is recognized after the installation is performed, and hardware service and support and software maintenance revenue is recognized ratably over the term of the agreement, typically one year.

When we sell software separately, we recognize software revenue upon shipment provided that only inconsequential obligations remain on our part and substantive acceptance conditions, if any, have been met.

We recognize revenue when persuasive evidence of an arrangement exists, shipment has occurred, the price is fixed or determinable, the buyer has paid or is obligated to pay, collectability is reasonably assured, substantive acceptance conditions, if any, have been met, the obligation is not contingent on resale of the product, the buyer's obligation would not be changed in the event of theft, physical destruction or damage to the product, the buyer acquiring the product for resale has economic substance apart from us and we do not have significant obligations for future performance to directly bring about the resale of the product by the buyer. We establish a reserve for sales returns based on historical trends in product returns and estimates for new items.

We transfer certain products out of service from their internal use and make them available for sale. The products transferred are our standard products in one of the following areas: service loaners, rental or test units; engineering test units; or sales demonstration equipment. Once transferred, the equipment is sold by our regular sales channels as used equipment inventory. These product units often involve refurbishing and an equipment warranty, and are conducted as sales in our normal and ordinary course of business. The transfer amount is the product unit's net book value and the sale transaction is accounted for as revenue and cost of goods sold.

Stock-Based Compensation Expense

We measure and recognize compensation expense as required for all share-based payment awards, including employee stock options and restricted stock unit awards, based on estimated fair values on the grant dates.

Income Tax

Historically, when accounting for uncertainty in income taxes, we have not incurred any interest or penalties associated with tax matters and no interest or penalties were recognized during the three and six months ended June 30, 2015. However, we have adopted a policy whereby amounts related to penalties associated with tax matters are classified as general and administrative expense when incurred and amounts related to interest associated with tax matters are classified as interest income or interest expense.

We have incurred net operating losses in certain past years. We continue to maintain a valuation allowance for the full amount of the net deferred tax asset balance associated with our net operating losses and credit carryforwards, as sufficient uncertainty exists regarding our ability to realize such tax assets in the future. There was $206,000 and $192,000 of unrecognized tax benefits related to uncertain tax positions and related valuation allowance as of June 30, 2015 and 2014, respectively.

Tax years that remain open for examination include 2012, 2013 and 2014 in the United States of America. In addition, tax years from 2001 to 2011 may be subject to examination in the event that we utilize the net operating losses and credit carryforwards from those years in our current or future year tax returns.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *"Revenue from Contracts with Customers,"* (ASU 2014-09). The standard provides companies with a single model for accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. ASU 2014-09 was originally effective for annual reporting periods beginning after December 15, 2016. The FASB has recently proposed a one year deferral of the effective date. Early adoption is not permitted. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. The Company is in the process of evaluating the impact of adoption on its consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, *"Presentation of Financial Statements and Property, Plant, and Equipment,"* (ASU 2014-08). This ASU changes the threshold for reporting discontinued operations and adds new disclosures. The new guidance defines a discontinued operation as a disposal of a component or group of components that is disposed of or is classified as held for sale and "represents a strategic shift that has (or will have) a major effect on our operations and financial results." For disposals of individually significant components that do not qualify as discontinued operations, we must disclose pre-tax earnings of the disposed component. This guidance is effective for us prospectively for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The adoption of this guidance has not had a material impact on our consolidated financial statements.

NOTE 2 – INVENTORIES

Inventories consisted of the following components:

(in thousands)	June 30, 2015	December 31, 2014
Raw material	$2,545	$2,429
Work-in-process	1,283	1,288
Finished goods	288	728
Inventories	$4,116	$4,445

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT, NET

Property and equipment consisted of the following components:

(in thousands)	June 30, 2015	December 31, 2014
Leasehold improvements	$435	$415
Equipment	6,329	6,208
	6,764	6,623
Less accumulated depreciation	5,761	5,697
Property and equipment, net	$1,003	$926

NOTE 4 – BUSINESS RESTRUCTURING

Our previous years' restructure actions have been fully implemented. At June 30, 2015, the restructure liability is comprised of $103,000 that is short term and $17,000 that is long term. As a result of the lease amendment discussed in Note 6, "Operating Lease Commitments", in July 2015, the balance of the restructure liability will be incorporated into our deferred rent liability as part of a new lease incentive.

An analysis of the business restructuring is as follows:

(in thousands)	Reserve Balance Dec. 31, 2013	2014 Expense	2014 Payments/ Write-Offs	Reserve Balance Dec. 31, 2014	2015 Expense	2015 Payments/ Write-Offs	Reserve Balance Jun. 30, 2015
Downsizing US operations:							
Employee severance	$230	($16)	$214	$0	$0	$0	$0
Other costs	240	25	94	171	-	51	120
Downsizing foreign operations:							
Employee severance	372	16	371	17	-	17	-
Other costs	31	(12)	19	-	-	-	-
Total	$873	$13	$698	$188	$0	$68	$120

NOTE 5 – OTHER ACCRUED LIABILITIES

Other accrued liabilities consisted of the following components:

(in thousands)	June 30, 2015	December 31, 2014
Product warranty	$370	$339
Sales return reserve	55	55
Other taxes	97	87
Other	180	159
Other accrued liabilities	$702	$640

The changes in Data I/O's product warranty liability for the six months ending June 30, 2015 are as follows:

(in thousands)	June 30, 2015
Liability, beginning balance	$339
Net expenses	400
Warranty claims	(400)
Accrual revisions	31
Liability, ending balance	$370

NOTE 6 – OPERATING LEASE COMMITMENTS

We have commitments under non-cancelable operating leases and other agreements, primarily for factory and office space, with initial or remaining terms of one year or more as follows:

For the years ending December 31:

(in thousands)	Operating Leases
2015 (remaining)	$317
2016	432
2017	492
2018	472
2019	482
Thereafter	655
Total	$2,850

Of the $2,850,000, $120,000 has been accrued as restructure liability related to abandoned lease space.

During the second quarter of 2015, we amended our lease agreement for the Redmond, Washington headquarters facility. The amended lease moves our headquarters to a nearby building, extends the term through April 2021, lowers the square footage to approximately 20,460, provides lease inducement incentives and lowers the rental rate. The new lease commitment of approximately $1.7 million will be paid over the term of the lease and is expected to save us approximately $1.5 million of cash compared to our previous lease agreement. As a result of this lease amendment, the remaining balance of the restructure liability will be incorporated into our deferred rent liability in July, 2015.

During the second quarter of 2015, we renewed our lease agreement for our Shanghai, China facility, effective June 15, 2015, extending the term through December 31, 2015.

During the first quarter of 2014, we renewed our lease agreement for our Munich, Germany facility effective February 1, 2015, extending the term through January 2018 and lowering the square footage to approximately 4,306 square feet. Effective June 1, 2014, the landlord was able to lease the excess space abandoned as part of Q2 2013 restructure actions to another tenant and the lease was revised to end May 31, 2017.

NOTE 7 – OTHER COMMITMENTS

We have purchase obligations for inventory and production costs as well as other obligations such as capital expenditures, service contracts, marketing, and development agreements. Arrangements are considered purchase obligations if a contract specifies all significant terms, including fixed or minimum quantities to be purchased, a pricing structure and approximate timing of the transaction. Most arrangements are cancelable without a significant penalty, and with short notice, typically less than 90 days. At June 30, 2015, the purchase commitments and other obligations totaled $754,000 of which all but $66,000 are expected to be paid over the next twelve months.

NOTE 8 – CONTINGENCIES

As of June 30, 2015, we were not a party to any legal proceedings or aware of any indemnification agreement claims, the adverse outcome of which in management’s opinion, individually or in the aggregate, would have a material adverse effect on our results of operations or financial position.

NOTE 9 – EARNINGS (LOSS) PER SHARE

Basic earnings per share is calculated based on the weighted average number of common shares outstanding during each period. Diluted earnings per share is calculated based on these same weighted average shares outstanding plus the effect of potential shares issuable upon assumed exercise of stock options based on the treasury stock method. Potential shares issuable upon the exercise of stock options are excluded from the calculation of diluted earnings per share to the extent their effect would be anti-dilutive.

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended		Six Months Ended	
	Jun. 30, 2015	Jun. 30, 2014	Jun. 30, 2015	Jun. 30, 2014
(in thousands except per share data)				
Numerator for basic and diluted earnings per share:				
Net income	$100	$447	$149	$104
Denominator for basic earnings per share:				
weighted-average shares	7,894	7,814	7,879	7,801
Employee stock options and awards	184	85	183	91
Denominator for diluted earnings per share:				
adjusted weighted-average shares & assumed conversions of stock options	8,078	7,899	8,062	7,892
Basic and diluted earnings per share:				
Total basic earnings per share	$0.01	$0.06	$0.02	$0.01
Total diluted earnings per share	$0.01	$0.06	$0.02	$0.01

Options to purchase 165,843 and 557,435 shares were outstanding as of June 30, 2015 and 2014, respectively, but were excluded from the computation of diluted earnings per share for the periods then ended because the options were anti-dilutive.

NOTE 10 – SHARE-BASED COMPENSATION

For share-based awards granted, we have recognized compensation expense based on the estimated grant date fair value method. For these awards we have recognized compensation expense using a straight-line amortization method reduced for estimated forfeitures.

The impact on our results of operations of recording share-based compensation, net of forfeitures, for the three and six months ended June 30, 2015 and 2014, respectively, was as follows:

	Three Months Ended		Six Months Ended	
	Jun. 30, 2015	Jun. 30, 2014	Jun. 30, 2015	Jun. 30, 2014
(in thousands)				
Cost of goods sold	$6	$5	$8	$1
Research and development	22	25	41	40
Selling, general and administrative	120	95	189	170
Total share-based compensation	$148	$125	$238	$211
Impact on net earnings per share:				
Basic and diluted	($0.02)	($0.02)	($0.03)	($0.03)

Equity awards granted during the three and six months ended June 30, 2015 and 2014 were as follows:

	Three Months Ended		Six Months Ended	
	Jun. 30, 2015	Jun. 30, 2014	Jun. 30, 2015	Jun. 30, 2014
Restricted Stock	193,800	-	193,800	-
Stock Options	-	3,000	-	3,000

Non-employee directors Restricted Stock Units ("RSU's") generally vest over one year, employee RSU's vest over four years with the expense being recognized over the vesting period.

The fair value of share-based awards for employee stock options was estimated using the Black-Scholes valuation model. The following weighted average assumptions were used to calculate the fair value of stock options granted during the three and six months ended June 30, 2015 and 2014:

	Three Months Ended		Six Months Ended	
	Jun. 30, 2015	Jun. 30, 2014	Jun. 30, 2015	Jun. 30, 2014
Risk-free interest rates	-	1.31%	-	1.31%
Volatility factors	-	0.51	-	0.51
Expected life of the option in years	-	4.00	-	4.00
Expected dividend yield	-	None	-	None

There were no stock option awards in 2015.

The remaining unamortized expected future equity compensation expense and remaining amortization period associated with unvested option grants, restricted stock awards and restricted stock unit awards at June 30, 2015 are:

	Jun. 30, 2015
Unamortized future equity compensation expense	$1,228,605
Remaining weighted average amortization period in years	2.96

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This Act provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about themselves as long as they identify these statements as forward-looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results. All statements other than statements of historical fact made in this Quarterly Report on Form 10-Q are forward-looking. In particular, statements herein regarding industry prospects or trends; expected revenues; expected level of expense; future results of operations; reversals of tax valuation allowances; restructuring implications; breakeven point, or financial position; changes in gross margin; economic conditions and capital spending outlook; market acceptance of our newly introduced or upgraded products; development, introduction and shipment of new products; building lease arrangements; sales channels and any other guidance on future periods are forward-looking statements. Forward-looking statements reflect management's current expectations and are inherently uncertain. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, achievements, or other future events. Moreover, neither we nor anyone else assumes responsibility for the accuracy and completeness of these forward-looking statements. We are under no duty to update any of these forward-looking statements after the date of this report. The reader should not place undue reliance on these forward-looking statements. The discussions above and in the section in Item 1A., Risk Factors "Cautionary Factors That May Affect Future Results" in our Annual report on Form 10-K for the year ended December 31, 2014 describe some, but not all, of the factors that could cause these differences.

OVERVIEW

We are focused on profitably managing and growing the core programming business, while developing and enhancing products to drive future revenue and earnings growth. Part of the strategy is to gain market share and to expand addressable markets. Our challenge is growing and profitably operating in a cyclical and rapidly evolving industry environment while we are experiencing unfavorable currency rate fluctuations. We are balancing business geography shifts, new product launches, increasing costs and strategic investments in our business with the level of demand and mix of business we expect.

We focus our research and development efforts in our strategic growth markets, namely new programming technology, automated programming systems for the manufacturing environment and software. We continue to focus on extending the capabilities and support for our product lines and supporting the latest semiconductor devices, including NAND Flash, e-MMC, and microcontrollers on our newer products. During 2014, we have added media and handling options and software features for our new PSV7000, Data I/O's most advanced programming system introduced in the fall of 2013, which can cut the cost of programming by up to 50% and represents new capabilities to handle and program small parts. In July 2014, we announced our new PSV3000 automated programming system, which was specifically designed to meet the needs of Chinese and Asian local manufacturers moving from manual to automated programming. The PSV3000 is being sold in Asia and recently won the 2015 SMT China Vision Award for Device Programming and the 2015 EM Asia Innovation Award for Programming Systems. In April 2015, we announced our new PSV5000 automated programming system, which will replace our PS388 system with a more integrated solution at a lower cost. During the quarter ended June 30, 2015, we sold and delivered multiple PSV5000 systems.

We are focused on strategic high volume manufacturers in key market segments like automotive electronics, wireless and consumer electronics, industrial controls including "Internet of Things" electronics, and programming centers.

BUSINESS RESTRUCTURING PROGRESS

Our previous years' restructure actions have been fully implemented. At June 30, 2015, the restructure liability is comprised of $103,000 that is short term and $17,000 that is long term. As a result of the lease amendment discussed in Note 6, "Operating Lease Commitments", in July 2015, the balance of the restructure liability will be incorporated into our deferred rent liability as part of a new lease incentive.

CRITICAL ACCOUNTING POLICY JUDGMENTS AND ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that we make estimates and judgments, which affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, estimating the percentage-of-completion on fixed-price professional engineering service contracts, sales returns, bad debts, inventories, investments, intangible assets, income taxes, warranty obligations, restructuring charges, contingencies such as litigation, and contract terms that have multiple elements and other complexities typical in the capital equipment industry. We base our estimates on historical experience and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our financial statements:

Revenue Recognition: We recognize revenue at the time the product is shipped. We have determined that our programming equipment has reached a point of maturity and stability such that product acceptance can be assured by testing at the factory prior to shipment and that the installation meets the criteria to be considered a separate element. These systems are standard products with published product specifications and are configurable with standard options. The evidence that these systems could be deemed as accepted was based upon having standardized factory production of the units, results from batteries of tests of product performance to our published specifications, quality inspections and installation standardization, as well as past product operation validation with the customer and the history provided by our installed base of products upon which the current versions were based.

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We transfer certain products out of service from their internal use and make them available for sale. The products transferred are our standard products in one of the following areas: service loaners, rental or test units; engineering test units; or sales demonstration equipment. Once transferred, the equipment is sold by our regular sales channels as used equipment inventory. These product units often involve refurbishing and an equipment warranty, and are conducted as sales in our normal and ordinary course of business. The transfer amount is the product unit's net book value and the sale transaction is accounted for as revenue and cost of goods sold.

Allowance for Doubtful Accounts: We base the allowance for doubtful accounts receivable on our assessment of the collectability of specific customer accounts and the aging of accounts receivable. If there is deterioration of a major customer's credit worthiness or actual defaults are higher than historical experience, our estimates of the recoverability of amounts due to us could be adversely affected.

Inventory: Inventories are stated at the lower of cost or market. Adjustments are made to standard cost, which approximates actual cost on a first-in, first-out basis. We estimate reductions to inventory for obsolete, slow-moving, excess and non-salable inventory by reviewing current transactions and forecasted product demand. We evaluate our inventories on an item by item basis and record inventory adjustments accordingly. If there is a significant decrease in demand for our products, uncertainty during product line transitions, or a higher risk of inventory obsolescence because of rapidly changing technology and customer requirements, we may be required to increase our inventory adjustments and our gross margin could be adversely affected.

Warranty Accruals: We accrue for warranty costs based on the expected material and labor costs to fulfill our warranty obligations. If we experience an increase in warranty claims, which are higher than our historical experience, our gross margin could be adversely affected.

Tax Valuation Allowances: Given the uncertainty created by our loss history, as well as the current uncertain economic outlook for our industry and capital spending, we expect to continue to limit the recognition of net deferred tax assets and accounting for uncertain tax positions and maintain the tax valuation allowances. At the current time, we expect, therefore, that reversals of the tax valuation allowance will take place only as we are able to take advantage of the underlying tax loss or other attributes in carry forward. The transfer pricing and expense or cost sharing arrangements are complex areas where judgments, such as the determination of arms-length arrangements, can be subject to challenges by different tax jurisdictions.

Share-based Compensation: We account for share-based awards made to our employees and directors, including employee stock option awards and restricted stock unit awards, using the estimated grant date fair value method of accounting. For options, we estimate the fair value using the Black-Scholes valuation model, which requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying stock. The expected stock price volatility assumption was determined using the historical volatility of our common stock. Changes in the subjective assumptions required in the valuation model may significantly affect the estimated value of the awards, the related stock-based compensation expense and, consequently, our results of operations.

Results of Operations

NET SALES

Net sales by product line	Three Months Ended Jun. 30, 2015	Change	Jun. 30, 2014	Six Months Ended Jun. 30, 2015	Change	Jun. 30, 2014
(in thousands)						
Automated programming systems	$3,474	(9.4%)	$3,834	$8,152	16.0%	$7,027
Non-automated programming systems	1,484	(15.9%)	1,765	2,708	(20.1%)	3,391
Total programming systems	$4,958	(11.4%)	$5,599	$10,860	4.2%	$10,418

Net sales by location	Three Months Ended Jun. 30, 2015	Change	Jun. 30, 2014	Six Months Ended Jun. 30, 2015	Change	Jun. 30, 2014
(in thousands)						
United States	$997	65.3%	$603	$1,397	20.1%	$1,163
% of total	20.1%		10.8%	12.9%		11.2%
International	$3,961	(20.7%)	$4,996	$9,463	2.2%	$9,255
% of total	79.9%		89.2%	87.1%		88.8%

Net sales in the second quarter of 2015 were $5.0 million, down 11% compared with $5.6 million in the second quarter of 2014, and sequentially down 16% compared with $5.9 million in the first quarter of 2015 with the decrease primarily due to lower sales volumes across most older product lines, particularly sales to our wireless customers, offset in part by increased sales of our newer PSV7000, PSV5000 and PSV3000 Automated Programming Systems. Sales to the automotive electronics market were strong during the quarter. Net sales for the second quarter of 2015 compared to the second quarter of 2014 were unfavorably impacted by approximately $300,000 due to the change in average foreign currency translation rates related to the U.S. Dollar compared to the Euro. On a regional basis, net sales increased 25% in Asia, while declining 4% in the Americas and 39% in Europe compared to the second quarter of 2014. A sales breakdown by type for the second quarter of 2015 was 63% equipment, 27% adapters, and 10% software and maintenance. Adapters are a consumable item and software and maintenance are typically recurring under annual subscription contracts.

Orders for the second quarter of 2015 were $5.1 million, down 19%, compared with $6.3 million in the second quarter of 2014, primarily resulting from unfavorable currency translation rates and lower sales in the wireless market and in Latin American markets. Backlog was $1.9 million at June 30, 2015, compared to $2.7 million at June 30, 2014 and $1.7 million at March 31, 2015. Deferred revenue was $1.0 million at June 30, 2015, compared to $2.1 million at June 30, 2014 and $1.0 million at March 31, 2015.

For the six months ending June 30, 2015, compared to the same period in 2014, the net sales increase was primarily due to incremental sales of our new PSV5000 as well as our PSV3000 and PSV7000 automated programming systems. On a regional basis, net sales increased 30% in Asia and 8% in Europe, while declining 23% in the Americas compared to the same period in 2014.

GROSS MARGIN

(in thousands)	Three Months Ended Jun. 30, 2015	Change	Jun. 30, 2014	Six Months Ended Jun. 30, 2015	Change	Jun. 30, 2014
Gross margin	$2,722	(9.9%)	$3,022	$5,580	1.1%	$5,517
Percentage of net sales	54.9%		54.0%	51.4%		53.0%

Gross margin as a percentage of sales in the second quarter of 2015 was 54.9%, compared with 54.0% in the second quarter of 2014. The gross margin increase as a percentage of sales for the second quarter was primarily due to a more favorable product and channel mix as well as less unfavorable labor and overhead variances, offset by the unfavorable effect of foreign currency translation rates.

For the first six months of 2015 compared to the same period in 2014, the decrease in gross margin was primarily due to unfavorable foreign currency translation rates.

RESEARCH AND DEVELOPMENT

(in thousands)	Three Months Ended Jun. 30, 2015	Change	Jun. 30, 2014	Six Months Ended Jun. 30, 2015	Change	Jun. 30, 2014
Research and development	$1,243	6.0%	$1,173	$2,341	0.8%	$2,323
Percentage of net sales	25.1%		21.0%	21.6%		22.3%

Research and development ("R&D") increased $70,000 in the second quarter of 2015 compared to the same period in 2014, primarily due to higher R&D materials and consulting.

For the first six months of 2015 compared to the same period in 2014, the increase in R&D expense was generally due to the same factors discussed above for the second quarter.

SELLING, GENERAL AND ADMINISTRATIVE

(in thousands)	Three Months Ended Jun. 30, 2015	Change	Jun. 30, 2014	Six Months Ended Jun. 30, 2015	Change	Jun. 30, 2014
Selling, general & administrative	$1,415	(2.8%)	$1,456	$2,953	(6.1%)	$3,144
Percentage of net sales	28.5%		26.0%	27.2%		30.2%

Selling, General and Administrative ("SG&A") expenses decreased $41,000 in the second quarter of 2015 compared to the same period in 2014, primarily related to lower commissions and bad debt, offset in part by increased stock based compensation and professional services.

For the first six months of 2015, SG&A expense decreased $191,000 compared to the same period in 2014, primarily related to lower commissions, bad debt and savings from personnel reductions due to restructuring actions and cost controls.

INTEREST

(in thousands)	Three Months Ended Jun. 30, 2015	Change	Jun. 30, 2014	Six Months Ended Jun. 30, 2015	Change	Jun. 30, 2014
Interest income	$27	(49.1%)	$53	$58	(19.4%)	$72

Interest income decreased in the second quarter of 2015 compared to the same period in 2014, primarily due to lower invested cash balances.

For the first six months of 2015 compared to the same period in 2014, the decrease in interest income was generally due to the same factors discussed above for the second quarter.

INCOME TAXES

(in thousands)	Three Months Ended Jun. 30, 2015	Change	Jun. 30, 2014	Six Months Ended Jun. 30, 2015	Change	Jun. 30, 2014
Income tax (expense) benefit	$2	*	($7)	($7)	(78.1%)	($32)

* not meaningful

Income tax benefit for the second quarter of 2015 compared to income tax expense in same period in 2014, primarily resulted from foreign subsidiary income tax as well as a 2014 refund received in 2015 on foreign subsidiary income.

For the first six months of 2015 compared to the same period in 2014, the decrease in income tax expense was generally due to the same factors discussed above for the second quarter.

The effective tax rate differed from the statutory tax rate primarily due to the effect of valuation allowances, as well as foreign taxes. We have a valuation allowance of $11.9 million as of June 30, 2015. Our deferred tax assets and valuation allowance have been reduced by approximately $206,000 and $192,000 associated with the requirements of accounting for uncertain tax positions as of June 30, 2015 and 2014, respectively. Given the uncertainty created by our past loss history and the cyclical nature of the industry in which we operate, we expect to continue to limit the recognition of net deferred tax assets and maintain the tax valuation allowances.

Financial Condition

LIQUIDITY AND CAPITAL RESOURCES

(in thousands)	Jun. 30, 2015	Change	Dec. 31, 2014
Working capital	$13,119	$56	$13,063

During the second quarter of 2015, cash increased $224,000, primarily attributed to the decrease in accounts receivable resulting from customer payments and current period earnings, offset in part by additions to inventory and equipment.

Although we have no significant external capital expenditure plans currently, we expect that we will continue to make capital expenditures to support our business and related to facility moves. We plan to increase internal capital expenditures for sales demonstration and R&D test equipment as we develop and release new products. Capital expenditures are expected to be funded by existing and internally generated funds or lease financing.

As a result of our significant product development, customer support, selling and marketing efforts, we have required substantial working capital to fund our operations. Prior to 2014, we restructured our operations to lower our costs and operating expenditures in some geographic regions, while investing in other regions; creating headroom to hire critical product development resources; and to lower the level of revenue required for our net income breakeven point; as well as offsetting in part, costs rising over time; to preserve our cash position and to focus on profitable operations. See "Business Restructuring Progress" discussion above for future expected restructuring related payments.

We believe that we have sufficient working capital available under our operating plan to fund our operations and capital requirements through at least the next one-year period. Approximately $5.7 million of our cash is located in foreign subsidiary accounts at June 30, 2015. Although we have no current repatriation plans, there may be tax and other impediments to repatriating the cash to the United States. Our working capital may be used to fund growth initiatives including acquisitions, as well as share repurchases, which could reduce our liquidity. Any substantial inability to achieve our current business plan could have a material adverse impact on our financial position, liquidity, or results of operations and may require us to reduce expenditures and/or seek additional financing.

OFF-BALANCE SHEET ARRANGEMENTS

Except as noted in the accompanying consolidated financial statements in Note 6, "Operating Lease Commitments" and Note 7, "Other Commitments", we have no off-balance sheet arrangements.

NON-GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) FINANCIAL MEASURES

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") was $197,000 in the second quarter of 2015 compared to $562,000 in the second quarter of 2014. Adjusted EBITDA excluding equity compensation (a non-cash item) and restructure charge was $345,000 in the second quarter of 2015, compared to $687,000 in the second quarter of 2014.

EBITDA was $372,000 for the first six months of 2015 compared to $384,000 in the first six months of 2014. Adjusted EBITDA excluding equity compensation and restructure charge was $610,000 for the first six months of 2015, compared to $608,000 for the first six months of 2014.

Non-GAAP financial measures, such as EBITDA and adjusted EBITDA, should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding the Company's results and facilitate the comparison of results. A reconciliation of net income to EBITDA and adjusted EBITDA follows:

NON-GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) FINANCIAL MEASURE RECONCILIATION

(in thousands)	Three Months Ended		Six Months Ended	
	Jun. 30, 2015	Jun. 30, 2014	Jun. 30, 2015	Jun. 30, 2014
Net Income	$100	$447	$149	$104
Interest (income) expense	(27)	(53)	(58)	(72)
Taxes	(2)	7	7	32
Depreciation & amortization	126	161	274	320
EBITDA earnings	$197	$562	$372	$384
Equity compensation	148	125	238	211
Restructure charge	-	-	-	13
Adjusted EBITDA earnings, excluding equity compensation and restructure charge	$345	$687	$610	$608

RECENT ACCOUNTING ANNOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, *"Revenue from Contracts with Customers,"* (ASU 2014-09). The standard provides companies with a single model for accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. ASU 2014-09 was originally effective for annual reporting periods beginning after December 15, 2016. The FASB has recently proposed a one year deferral of the effective date. Early adoption is not permitted. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. The Company is in the process of evaluating the impact of adoption on its consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, *"Presentation of Financial Statements and Property, Plant, and Equipment,"* (ASU 2014-08). This ASU changes the threshold for reporting discontinued operations and adds new disclosures. The new guidance defines a discontinued operation as a disposal of a component or group of components that is disposed of or is classified as held for sale and "represents a strategic shift that has (or will have) a major effect on our operations and financial results." For disposals of individually significant components that do not qualify as discontinued operations, we must disclose pre-tax earnings of the disposed component. This guidance is effective for us prospectively for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The adoption of this guidance has not had a material impact on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this report (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective at the reasonable level of assurance. Disclosure Controls are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure Controls are also designed to reasonably assure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROLS

There were no changes made in our internal controls during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting which is still under the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework (1992). We are expecting to transition to COSO (2013) during the fiscal year 2015.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of June 30, 2015, we were not a party to any material pending legal proceedings.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. There are no material changes to the Risk Factors described in our Annual Report.

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

None

Item 6. Exhibits

(a) **Exhibits**

10 **Material Contracts:**

10.29 Third Amendment to Lease, (Redmond East) between Data I/O Corporation and Arden Realty Limited Partnership, made as of June 1, 2015.

31 **Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002:**

31.1 Chief Executive Officer Certification

31.2 Chief Financial Officer Certification

32 **Certification pursuant to Section 906 of the Sarbanes Oxley Act of 2002:**

32.1 Chief Executive Officer Certification

32.2 Chief Financial Officer Certification

101 **Interactive Data Files Pursuant to Rule 405 of Regulation S-T**

SIGNATURES

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

DATED: August 13, 2015

DATA I/O CORPORATION
(REGISTRANT)

By: //S//Anthony Ambrose
Anthony Ambrose
President and Chief Executive Officer
(Principal Executive Officer and Duly Authorized Officer)

By: //S//Joel S. Hatlen
Joel S. Hatlen
Vice President and Chief Financial Officer
Secretary and Treasurer
(Principal Financial Officer and Duly Authorized Officer)

Exhibit 10.29

Exhibit 31.1

CERTIFICATION

I, Anthony Ambrose, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Data I/O Corporation;

2) Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATED: August 13, 2015

/s/ Anthony Ambrose
Anthony Ambrose
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Joel S. Hatlen, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Data I/O Corporation;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATED: August 13, 2015

/s/ Joel S. Hatlen
Joel S. Hatlen
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification by Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Data I/O Corporation (the "Company") on Form 10-Q for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony Ambrose, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Anthony Ambrose
Anthony Ambrose
Chief Executive Officer
(Principal Executive Officer)
August 13, 2015

Exhibit 32.2

Certification by Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Data I/O Corporation (the “Company”) on Form 10-Q for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joel S. Hatlen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Joel S. Hatlen
Joel S. Hatlen
Chief Financial Officer
(Principal Financial Officer)
August 13, 2015

THIRD AMENDMENT TO LEASE
(Redmond East)

THIS THIRD AMENDMENT TO LEASE ("**Third Amendment**") is made and entered into as of the _____ day of April, 2015, by and between ARDEN REALTY LIMITED PARTNERSHIP, a Maryland limited partnership ("**Landlord**") and DATA I/O CORPORATION, a Washington corporation ("**Tenant**").

R E C I T A L S:

A. Carr Redmond, LLC, a Delaware limited liability company ("**Original Landlord**") and Tenant entered into that certain Lease dated as of February 28, 2006 (the "**Original Lease**") as amended by that certain First Amendment to Lease dated as of August 24, 2006 by and between Original Landlord and Tenant ("**First Amendment**") and by that certain Second Amendment to Lease dated as of January 31, 2011 by and between Landlord and Tenant ("**Second Amendment**"), whereby Landlord leases to Tenant and Tenant leases from Landlord certain office space located in that certain building located and addressed at 6464 185th Avenue NE, Redmond, Washington (the "**Existing Building**"). The Original Lease, as amended by the First Amendment and the Second Amendment, may be referred to herein as the "**Lease**." Landlord is the successor-in-interest to Original Landlord.

B. By this Third Amendment, Landlord and Tenant desire to relocate the Existing Premises, and to otherwise modify the Lease as provided herein.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Original Lease.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

A G R E E M E N T:

1. Existing Premises. Landlord and Tenant hereby agree that pursuant to the Lease, Landlord currently leases to Tenant and Tenant currently leases from Landlord that certain office space in the Existing Building containing 33,676 rentable square feet located on the first (1st) and second (2nd) floors of the Existing Building as described in Section 1 of the Second Amendment (the "**Existing Premises**").

2. Relocation of Premises. Effective as of the date of Substantial Completion of the Improvements (as those terms are defined in Exhibit "C" attached hereto) therein ("**Effective Date**"), the Existing Premises shall be relocated to that certain space containing approximately 20,460 rentable square feet located on the first (1st) and second (2nd) floors of the building located at 6645 185th Avenue NE, Redmond, Washington (the "**New Building**"), as outlined on the floor plans attached to this Third Amendment as Exhibit "A" and incorporated herein by this reference (the "**New Premises**"). The Effective Date is anticipated, but not guaranteed, to occur on or about July 8, 2015 and Landlord shall use commercially reasonable efforts to achieve Substantial Completion of the Improvements on or before such date. The New Building is located upon the real property described in Exhibit "B" attached hereto.

3. Surrender of Existing Premises. Tenant hereby agrees to vacate the Existing Premises and surrender and deliver exclusive possession of the Existing Premises to Landlord on or before the Effective Date in accordance with the provisions of Section 14 of the Original Lease. If Tenant fails to so vacate and surrender and deliver exclusive possession of the Existing Premises to Landlord on or before the Effective Date, then the holdover provisions of Section 15 of the Original Lease shall apply. Tenant represents and warrants to Landlord that: (i) Tenant has not heretofore assigned or sublet all or any portion of its interest in the Lease or the Existing Premises; (ii) no other person, firm or entity has any right, title or interest in the Lease; (iii) Tenant has the full right, legal power and actual authority to enter into this Third

Amendment without the consent of any person, firm or entity; and (iv) Tenant has the full right, legal power and actual authority to bind Tenant to the terms and conditions hereof. Tenant further represents and warrants to Landlord that as of the date hereof there are no, and as of the Effective Date there shall not be any, mechanics' liens or other liens encumbering all or any portion of the Existing Premises by virtue of any act or omission on the part of Tenant, its predecessors, contractors, agents, employees, successors or assigns.

4. Extended Term. The Lease Termination Date is hereby extended to April 30, 2021. The period from the Effective Date through April 30, 2021, shall be referred to herein as the "**Extended Term**." Notwithstanding anything to the contrary contained in the Lease, Tenant shall not have any right to extend the Lease beyond the Extended Term.

5. Base Rent. Notwithstanding anything to the contrary in the Lease, during the Extended Term, Tenant shall pay, in accordance with the provisions of this Section 5, Monthly Base Rent for the New Premises as follows:

Period	**Monthly Base Rent**	**Annual Base Rent Per Rentable Square Foot**
Months 1 - 12*	$26,427.50	$15.50
Months 13 - 24	$27,220.33	$15.97
Months 25 - 36	$28,036.93	$16.44
Months 37 - 48	$28,878.04	$16.94
Months 49 - 60	$29,744.38	$17.45
Months 61 - 4/30/2021	$30,636.72	$17.97

*Subject to abatement as described below and including any partial calendar month at the beginning of the Extended Term.

Notwithstanding anything to the contrary contained herein and provided that Tenant faithfully performs all of the terms and conditions of the Lease, as amended by this Third Amendment, Landlord hereby agrees to abate Tenant's obligation to pay monthly Base Rent for the first ten (10) full calendar months of the Extended Term. During such abatement periods, Tenant shall still be responsible for the payment of all of its other monetary obligations under the Lease, as amended. In the event of a default by Tenant under the terms of the Lease, as amended, that results in early termination pursuant to the provisions of Section 13.A of the Original Lease, then as a part of the recovery set forth in Section 13.B of the Original Lease, Landlord shall be entitled to the recovery of the monthly Base Rent that was abated under the provisions of this Section 5. The amount of Base Rent to be abated pursuant to this Section 5 above may be referred herein as the "**Abated Rent Amount**." Notwithstanding the foregoing or anything to contrary contained herein, upon written notice to Tenant, Landlord shall have the option to purchase all or any portion of Tenant's Abated Rent Amount by paying such amount to Tenant, in which case the amount so paid to Tenant shall nullify an equivalent amount of abatement of Tenant's Base Rent as to the period so designated by Landlord in Landlord's written notice to Tenant.

6. Tenant's Proportionate Share. Commencing as of the Effective Date, (a) Tenant's Proportionate Share of Taxes and Operating Costs shall be 57.87% of the New Building and 5.18% of the Project. The limitation on increases in Controllable Operating Costs specified in Section 6 of the Second Amendment shall continue to apply throughout the Extended Term.

7. Improvements to the Premises. Promptly after full execution and delivery of this Third Amendment, Landlord shall construct leasehold improvements within the New Premises in accordance with the Tenant Work Letter attached hereto as Exhibit "C" and made a part hereof. Landlord shall cause all systems of the New Building serving the New Premises to be in good state of repair and proper working condition as of the Effective Date. Except as specifically set forth in the Tenant Work Letter and this Section 7, Tenant hereby agrees to accept the New Premises in its "as-is" condition and Tenant hereby acknowledges that Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the New Premises. Tenant also acknowledges that except as provided above, Landlord has made no representation or warranty regarding the condition of the New Premises.

8. Contraction Option. Provided Tenant fully and completely satisfies each of the conditions set forth in this Section 8, Tenant shall have the one time option ("**Contraction Option**") to terminate the Lease (as amended) as to a portion of the Suite 100 (generally in the northwest corner of Suite 100) consisting of between 1,000 and 3,000 rentable square feet as designated by Tenant and reasonably approved by Landlord (the "**Contraction Space**"). In order to exercise the Contraction Option, Tenant must fully and completely satisfy each and every one of the following conditions: (a) Tenant must give Landlord written notice ("**Contraction Notice**") of its exercise of the Contraction Option, which Contraction Notice must (i) state the effective date of such termination ("**Contraction Date**"), which date must be after the last day of the thirtieth (30th) full calendar month of the Extended Term, (ii) be delivered to Landlord at least one hundred twenty (120) days prior to the Contraction Date, and (iii) designate the Contraction Space (which designation shall be subject to the parameters described in this Section 8 above and shall be subject to Landlord's reasonable approval); and (b) at the time of the delivery of the Contraction Notice to Landlord, Tenant shall not be in default under the Lease, as amended, after expiration of applicable notice and cure periods. If Tenant properly exercises its Contraction Option, (A) upon the Contraction Date, the Contraction Space shall no longer be a part of the New Premises and Tenant shall have surrendered and delivered exclusive possession of the Contraction Space to Landlord and, thereupon, Tenant's Proportionate Share and Tenant's parking allocation shall be reduced on a pro rata basis, (B) notwithstanding Section 8(A) above, from and after the Contraction Date, Tenant shall still be required to pay Base Rent for the Contraction Space throughout the remainder of the Extended Term, but the rate of Base Rent payable for such space shall be reduced from the rate specified in Section 5 of this Third Amendment above by $12.50 per rentable square foot of the Contraction Space per year, and (C) Landlord and Tenant shall execute a new amendment to the Lease documenting such modification to the New Premises upon the terms specified in this Section 8. If Tenant fails to timely surrender exclusive possession of the Contraction Space to Landlord, then the holdover provisions of Section 15 of the Original Lease shall apply with respect to such Contraction Space. Following the surrender of the Contraction Space to Landlord, and when Landlord secures a new tenant for the Contraction Space, Landlord shall perform the following work (collectively, the "**Demising Work**"): (1) install a full-height demising wall(s) to separate the Contraction Space from Tenant’s remaining space in the New Premises; and (2) separate the systems serving the Contraction Space from Tenant’s remaining space in the New Premises. Tenant shall reimburse Landlord for the costs incurred by Landlord for such demising wall(s) within ten (10) business days after delivery of an invoice therefor; however, the cost of systems separation and all other costs of such separation shall be borne solely by Landlord. If Tenant properly exercises its Contraction Option, Tenant hereby acknowledges that Landlord will be performing such demising work during the Extended Term, and Landlord's performance of such work shall not be deemed a constructive eviction of Tenant, nor shall Tenant be entitled to any abatement of rent in connection therewith. However, Landlord shall use commercially reasonable efforts to conduct those portions of the Demising Work which are most likely to be disruptive to Tenant's business (specifically including, but not limited to, demolition work) either (i) during non-business hours, or (ii) on weekends, and to the extent that any disruptive work needs to be done during normal business hours, Landlord shall endeavor to complete such portion of the work in as minimally disruptive a manner as practicable. Once commenced, Landlord shall diligently pursue the completion of the Demising Work.

9. Parking. In lieu of the parking to which Tenant is entitled under the Lease, effective as of the Effective Date and continuing throughout the Extended Term, Tenant shall be entitled to a parking allowance of two point five (2.5) parking spaces in the New Building's parking facility per 1,000 rentable square feet of the New Premises (i.e., fifty-one (51)) spaces as of the Effective Date). Forty-six (46) of such spaces shall be for unreserved parking and five (5) of such parking spaces shall be located at the front entry of the parking facility and reserved for Tenant's exclusive use and Landlord shall label such spaces with Tenant's company name. Except as set forth in this Section 9, all other terms and conditions of Section 26(z) of the Lease shall apply to Tenant's lease of such unreserved parking spaces.

10. Security Deposit. Landlord and Tenant acknowledge that Landlord currently holds a Security Deposit in the amount of $44,888.64. Throughout the Extended Term, Landlord shall continue to hold the Security Deposit in accordance with and subject to, the terms and conditions of Section 20 of the Original Lease.

11. Signage. Subject to this Section 11, Tenant shall be entitled to install, at Tenant's sole cost and expense, one (1) sign on the exterior of the New Building ("**Signage**"). The graphics, materials, size, color, design, lettering, lighting (if any), specifications and exact location of the Signage (collectively, the "**Signage Specifications**") shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld. In addition, the Signage and all Signage Specifications therefore shall be subject to Tenant's receipt of all required governmental permits and approvals, shall be subject to all applicable governmental laws and ordinances, and all covenants, conditions and restrictions affecting the New Building. Tenant hereby acknowledges that, notwithstanding Landlord's approval of the Signage and/or the Signage Specifications therefor, Landlord has made no representations or warranty to Tenant with respect to the probability of obtaining such approvals and permits. In the event Tenant does not receive the necessary permits and approvals for the Signage, Tenant's and Landlord's rights and obligations under the remaining provisions of the Lease (as amended) shall not be affected. The cost of installation of the Signage, as well as all costs of design and construction of such Signage and all other costs associated with such Signage, including, without limitation, permits, maintenance and repair, shall be the sole responsibility of Tenant. The rights to the Signage shall be personal to the originally named Tenant and may not be transferred. Should the Signage require maintenance or repairs as determined in Landlord's reasonable judgment, Landlord shall have the right to provide written notice thereof to Tenant and Tenant shall cause such repairs and/or maintenance to be performed within thirty (30) days after receipt of such notice from Landlord at Tenant's sole cost and expense. Should Tenant fail to perform such maintenance and repairs within the period described in the immediately preceding sentence, Landlord shall have the right to cause such work to be performed and to charge Tenant, as Additional Rent, for the cost of such work. Upon the expiration or earlier termination of the Lease (as amended), Tenant shall, at Tenant's sole cost and expense, cause the Signage to be removed from the exterior of the New Building and shall cause the exterior of the New Building to be restored to the condition existing prior to the placement of such Signage. If Tenant fails to remove such Signage and to restore the exterior of the New Building as provided in the immediately preceding sentence within thirty (30) days following the expiration or earlier termination of the Lease (as amended), then Landlord may perform such work, and all costs and expenses incurred by Landlord in so performing such work shall be reimbursed by Tenant to Landlord within ten (10) days after Tenant's receipt of invoice therefor. The immediately preceding sentence shall survive the expiration or earlier termination of the Lease (as amended).

12. Payments to Landlord. Notwithstanding anything to the contrary contained in the Lease, any and all amounts due and payable by Tenant to Landlord shall be in the form of (i) business checks, (ii) wire transfers, (iii) electronic funds transfers, and (iv) automated clearing house payments. Any other forms of payment are not acceptable to Landlord including, without limitation (1) cash or currency, (2) cashier's checks and money orders, (3) traveler's checks, (4) payments from credit unions or other non-bank financial institutions, (5) multiple payments for one (1) scheduled payment, and (6) third party checks.

13. Brokers. Each party represents and warrants to the other that no broker, agent or finder negotiated or was instrumental in negotiating or consummating this Third Amendment other than the Broderick Group, Inc. (representing Landlord) and Jones Lang LaSalle (representing Tenant), each of whom shall be compensated by Landlord pursuant to a separate agreement. Each party further agrees to defend, indemnify and hold harmless the other party from and against any claim for commission or finder's fee by any other person or entity who claims or alleges that they were retained or engaged by the first party or at the request of such party in connection with this Third Amendment.

14. Defaults. Tenant hereby represents and warrants to Landlord that, as of the date of this Third Amendment, Tenant is in full compliance with all terms, covenants and conditions of the Lease and that there are no breaches or defaults under the Lease by Landlord or Tenant, and that Tenant knows of no events or circumstances which, given the passage of time, would constitute a default under the Lease by either Landlord or Tenant.

15. No Further Modification. Except as set forth in this Third Amendment, all of the terms and provisions of the Lease shall apply during the Extended Term and shall remain unmodified and in full force and effect. Effective as of the date hereof, all references to the "Lease" shall refer to the Lease as amended by this Third Amendment.

IN WITNESS WHEREOF, this Third Amendment has been executed as of the day and year first above written.

"LANDLORD"

ARDEN REALTY LIMITED PARTNERSHIP,
a Maryland limited partnership

By: ARDEN REALTY, INC.,
a Maryland corporation
Its: Sole General Partner

By: //S//Scott El Lyle
Its: Scott E. Lyle

"TENANT"

DATA I/O CORPORATION,
a Washington corporation

By://S//Anthony Ambrose
Print Name: Anthony Ambrose
Title: President and CEO

STATE OF WASHINGTON)
)
COUNTY OF King)

I certify that I know or have satisfactory evidence that Anthony Ambrose is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the tenant of Arden Realty to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 4/10/15

//S//Nita Ki-Hee Ku
(Signature)
Nita Ki-Hee Ku
(Seal or stamp) (Name legibly printed or stamped)

Notary Public in and for the State of Washington
residing at Redmond

My appointment expires 1/21/2018

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

State of California)
County of Los Angeles)

On 6/1/15 before me, Sherry M. Hunter-Fine,
(here insert name and title of the officer)
personally appeared Scott Lyle, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature //S//Sherry M. Hunter-Fine (Seal)

EXHIBIT "A"

FLOOR PLAN OF NEW PREMISES

First floor layout
Second floor layout

EXHIBIT "B"

LEGAL DESCRIPTION FOR NEW BUILDING

THAT PORTION OF LOTS 13 AND 14 OF REDMOND EAST BUSINESS CAMPUS RECORDED IN VOLUME 135 OF PLATS AT PAGES 16 & 17, RECORDS OF KING COUNTY, WASHINGTON MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT THE NE CORN[R OF SAID LOT 14; THENCE ALONG THE EAST LINE OF SAID LOTS 14 & 13 SOUTH 00 34'06" WEST 259'.00 FEET TO A LINE PARALLEL WITH AND 59.00 FEET SOUTH OF THE NORTH LINE OF SAID LOT 13; THENCE ALONG SAID PARALLEL LINE NORTH 89 25'54" WEST 309.78 FEET TO THE WEST LINE OF SAID LOT 13; THENCE ALONG THE WEST LINE OF SAID LOTS 13 & 14 NORTH 00 34'06" EAST 259.00 FEET TO THE NORTHWEST CORNER OF SAID LOT 14; THENCE ALONG THE NORTH LINE THEREOF SOUTH 89 25'54" EAST 309.78 FEET TO THE POINT OF BEGINNING. SUBJECT TO AND TOGETHER WITH EASEMENTS OF RECORD.

EXHIBIT "C"

TENANT WORK LETTER

[DATA I/O CORPORATION]

This Tenant Work Letter shall set forth the terms and conditions relating to the renovation of the tenant improvements in the New Premises. This Tenant Work Letter is essentially organized chronologically and addresses the issues of the construction of the New Premises, in sequence, as such issues will arise.

SECTION 1

CONSTRUCTION DRAWINGS FOR THE PREMISES

Landlord shall construct the improvements in the New Premises and the New Building (the "**Improvements**") pursuant to that certain **[DESCRIPTION OF AGREED UPON PLANS AND THEIR DATE TO BE INSERTED]** (collectively, the "**Plans{**XE "Plans" \t "*Exhibit C*" **}**"). Also included in the Improvements, Landlord shall perform HVAC control upgrades, which upgrades shall consist of removing the existing Carrier VVT control system and replacing with Alerton Energy Management controls platform. All HVAC components shall be evaluated and replaced as reasonably determined by Landlord to be appropriate to operate in a manner consistent with a suburban tech/office building. Unless specifically noted to the contrary on the Plans, the Improvements shall be constructed using quantities, specifications and materials that are standard for the New Building as determined by Landlord. If determined by Landlord to be necessary, based upon the Plans, Landlord shall cause the Architect to prepare detailed plans and specifications for the Improvements ("**Working Drawings{**XE "Working Drawings" \t "*Exhibit C"* **}**"). Landlord shall then forward the Working Drawings to Tenant for Tenant's approval. Tenant shall approve or reasonably disapprove any draft of the Working Drawings within three (3) business days after Tenant's receipt thereof; provided, however, that (i) Tenant shall not be entitled to disapprove any portion, component or aspect of the Working Drawings which are consistent with the Plans unless Tenant agrees to pay for the additional cost resulting from such change in the Plans as part of the Over-Allowance Amount pursuant to Section 2 below, and (ii) any disapproval of the Working Drawings by Tenant shall be accompanied by a detailed written explanation of the reasons for Tenant's disapproval. Failure of Tenant to reasonably disapprove any draft of the Working Drawings within said three (3) business day period shall be deemed to constitute Tenant's approval thereof. The Working Drawings, as approved by Landlord and Tenant, may be referred to herein as the "**Approved Working Drawings{**XE "Approved Working Drawings" \t "*Exhibit C*" **}**." Tenant shall make no changes or modifications to the Plans or the Approved Working Drawings without the prior written consent of Landlord.

SECTION 2

OVER-ALLOWANCE AMOUNT

In the event any revisions, changes, or substitutions are made with Tenant's consent to the Plans or the Approved Working Drawings or the Improvements, any additional costs which arise in connection with such revisions, changes or substitutions shall be considered to be an "**Over-Allowance Amount{**XE "Over-Allowance Amount" \t "*Exhibit C"* **}**." The Over-Allowance Amount shall be paid by Tenant to Landlord, as Additional Rent, within ten (10) days after Tenant's receipt of invoice therefor. The Over-Allowance Amount shall be disbursed by Landlord prior to the disbursement of any portion of Landlord's contribution to the construction of the Improvements.

SECTION 3

RETENTION OF CONTRACTOR;
WARRANTIES AND GUARANTIES

Landlord hereby assigns to Tenant all warranties and guaranties by the contractor who constructs the Improvements (the "**Contractor{**XE "Contractor" \t "*Exhibit C*" **}**") relating to the

Improvements, and Tenant hereby waives all claims against Landlord relating to, or arising out of the construction of, the Improvements. The Contractor shall be designated and retained by Landlord to construct the Improvements.

SECTION 4

TENANT'S COVENANTS

Tenant shall, at no cost to Tenant, cooperate with Landlord and the space planner or architect retained by Landlord ("**Architect{**XE "Architect" \t "*Exhibit C"* **}**") to cause a Notice of Completion (or its equivalent) to be recorded in the office of the Recorder of the County in which the New Building is located in accordance with applicable statutes upon completion of construction of the Improvements.

SECTION 5

COMPLETION OF THE IMPROVEMENTS

5.1 Substantial Completion. For purposes of this Third Amendment, "**Substantial Completion{** XE "Substantial Completion" \t "*Exhibit C*" **}**" of the Improvements in the New Premises shall occur upon the completion of construction of the Improvements in the New Premises pursuant to the Approved Working Drawings, with the exception of any punch list items and any tenant fixtures, work-stations, built-in furniture, or equipment to be installed by Tenant.

5.2 Delay of the Substantial Completion of the New Premises. Except as provided in this Section 5.2, the Effective Date shall occur as set forth in the Third Amendment. If there shall be a delay or there are delays in the Substantial Completion of the Improvements in the New Premises as a result of the following (collectively, "**Tenant Delays{**XE "Tenant Delays" \t "*Exhibit C*" **}**"):

5.2.1 Tenant's failure to timely approve any matter requiring Tenant's approval;

5.2.2 A breach by Tenant of the terms of this Tenant Work Letter or the Lease;

5.2.3 Tenant's request for changes in the Plans, Working Drawings or Approved Working Drawings;

5.2.4 Changes in any of the Plans, Working Drawings or Approved Working Drawings because the same do not comply with applicable laws;

5.2.5 Tenant's requirement for materials, components, finishes or improvements which are not available in a commercially reasonable time given the anticipated date of Substantial Completion of the Improvements in the New Premises, or which are different from, or not included in, Landlord's standard improvement package items for the New Building; or

5.2.6 Any other acts or omissions of Tenant, or its agents, or employees;

then, notwithstanding anything to the contrary set forth in the Lease or this Tenant Work Letter and regardless of the actual date of the Substantial Completion of the Improvements in the New Premises, the date of Substantial Completion thereof shall be deemed to be the date that Substantial Completion would have occurred if no Tenant Delay or Delays, as set forth above, had occurred.

SECTION 6

MISCELLANEOUS

6.1 Tenant's Representative. Prior to commencement of construction of the Improvements, Tenant shall, by written notice to Landlord, designate an individual to act as Tenant's sole representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Tenant Work Letter.

6.2 Landlord's Representative. Prior to commencement of construction of the Improvements, Landlord shall designate a representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Tenant Work Letter.

6.3 Time of the Essence in This Tenant Work Letter. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days. Time is of the essence with respect to Tenant's and Landlord's obligations under this Tenant Work Letter.

6.4 Early Entry. Provided that Tenant and its agents do not unreasonably interfere with Landlord's work in the Premises, Landlord shall allow Tenant access to the Premises beginning on the date estimated to be two (2) weeks prior to Substantial Completion of the Improvements for the purpose of Tenant installing furniture and equipment in the New Premises. Prior to Tenant's entry into the New Premises as permitted by the terms of this Section 6.4, Tenant shall submit certificates of insurance reasonably acceptable to Landlord and shall submit a schedule to Landlord (and Landlord's contractor, if so requested by Landlord), for their approval, which schedule shall detail the timing and purpose of Tenant's entry. Tenant shall hold Landlord harmless from and indemnify, protect and defend Landlord against any loss or damage to the New Building or New Premises and against injury to any persons caused by Tenant's actions pursuant to this Section 6.4.

SCHEDULE 1 TO EXHIBIT "C"
THE PLANS

Detailed permit version of plans