As filed with the Securities and Exchange Commission on June 9, 2003

Registration No. 333-86738

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 8

TO

FORM S-1

REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

FORMFACTOR, INC.

(Exact name of Registrant as specified in its charter)

Delaware	3825	13-3711155
(State or other jurisdiction of incorporation or organization)	(Primary standard industrial classification code number)	(I.R.S. employer identification no.)

FormFactor, Inc.

2140 Research Drive
Livermore, California 94550
(925) 294-4300
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Jens Meyerhoff

Chief Financial Officer and Senior Vice President of Operations
FormFactor, Inc.
2140 Research Drive
Livermore, California 94550
(925) 294-4300
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Gordon K. Davidson, Esq.
Mark A. Leahy, Esq.
Jeffrey R. Vetter, Esq.
Fenwick & West LLP
Silicon Valley Center
801 California Street
Mountain View, California 94041
(650) 988-8500

Gregory M. Gallo, Esq.
Peter M. Astiz, Esq.
Gray Cary Ware & Freidenrich LLP
400 Hamilton Avenue
Palo Alto, California 94301
(650) 833-2000

Approximate date of commencement of proposed sale to the public:

As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o _____

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act of 1933, please check the following box. o _____

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay the effective date of this Registration Statement until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Issued June 9, 2003

5,500,000 Shares

FORMFACTOR

COMMON STOCK

FormFactor, Inc. is offering 5,105,305 shares of its common stock and the selling stockholders are offering 394,695 shares. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price will be between $9 and $11 per share.

We have applied to list our common stock for quotation on the Nasdaq National Market under the symbol "FORM."

Investing in our common stock involves risks. See "Risk Factors" beginning on page 9.

PRICE $ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to FormFactor	Proceeds to Selling Stockholders
Per Share	*$*	*$*	*$*	*$*
Total	*$*	*$*	*$*	*$*

FormFactor, Inc. has granted the underwriters the right to purchase up to an additional 825,000 shares to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley & Co. Incorporated expects to deliver the shares to purchasers on , 2003.

MORGAN STANLEY

LEHMAN BROTHERS

BANC OF AMERICA SECURITIES LLC

THOMAS WEISEL PARTNERS LLC

, 2003

INSIDE FRONT COVER PAGE

This page has a picture that covers the left two-thirds of the page and a column of text that covers the right one-third of the page. In the background of the picture, a part of a wafer probe card manufactured by FormFactor is depicted. Appearing at the bottom of the image of the wafer probe card are enlarged images of the geometrically precise tip structures of the MicroSpring contacts. Sets of MicroSpring contacts that blend into the wafer probe card and the tip structures of the MicroSpring contracts are in the lower center of the picture. The column of text has four blocks of text. The headings of the blocks of text from top to bottom are as follows: “Proprietary Technology,” “Market Leadership,” “High Value Solutions” and “Industry Leading Customers.” The following sentence appears below the heading “Proprietary Technology”: “Our patented MicroSpring interconnect technology replaces conventional wafer probe card technologies to improve the performance and lower the cost of semiconductor test” and projected behind that sentence is shadow text repeating the heading of “Proprietary Technology” in a larger font. The following sentence appears below the heading “Market Leadership”: “In 2002, we were the leader in the advanced wafer probe card market in terms of revenues” and projected behind that sentence is shadow text repeating the heading of “Market Leadership” in a larger font. The following sentence appears below the heading “High Value Solutions”: “Our advanced wafer test solutions are optimized for the testing requirements of the Dynamic Random Access Memory, or DRAM, Flash, Microprocessor and Logic Markets” and projected behind that sentence is shadow text repeating the heading of “High Value Solutions” in a larger font. The following sentence appears below the heading “Industry Leading Customers”: “Our products are used in the wafer fabrication facilities of leading semiconductor companies, including our 4 largest manufacturing customers in 2002, Infineon, Micron, Samsung and the world’s largest microprocessor manufacturer, who together accounted for approximately 65% of our revenues” and projected behind that sentence is shadow text repeating the heading of “Industry Leading Customers” in a larger font. The FormFactor logo trademark is in the bottom right corner of the page next to the company’s name, “FORMFACTOR”, at the bottom of the column of text.

GATEFOLD

This page is dominated by a picture entitled “Wafer Test Solutions.” The heading “Wafer Test Solutions” has a shadow of text that repeats the heading in a font twice the size of the heading. On the left edge of the page, the following text runs from the bottom left corner of the page to the top left corner of the page, parallel to the edge of the page: “FormFactor’s wafer test solutions enable integration of the semiconductor pipeline from design to system.” That sentence has a shadow of text that repeats the sentence in a larger font. To the immediate right of that sentence is a column depicting the design to system pipeline in the chip manufacturing process. From the top of the page to the bottom of the page, the column contains the word “Design” followed by a triangular arrow pointing to the words “Wafer Fab (Deposition, Litho, Etch, Metrology),” followed by a triangular arrow pointing to the words “Wafer Probe Test,” followed by a triangular arrow pointing to the words “Wafer Cut,” followed by a triangular arrow pointing to the words “Assembly and Packaging,” followed by a triangular arrow pointing to the words “Final Test,” followed by a triangular arrow pointing to the words “System,” followed by a triangular arrow pointing downwards. In that column, behind the words “Design,” “Wafer Fab (Deposition, Litho, Etch, Metrology),” and “Wafer Probe Test” appears a section of a wafer. In that column, behind and below the words “Wafer Cut” are eleven rectangular chips, and between the words “Assembly and Packaging” and “Final Test” are two completed chips. In that column, below the words “Final Test” and behind the word “System” is the faded image of two computers, a cellular telephone, a headset and various computer accessories. From the words “Wafer Probe Test” in that column, rays of light create a cone shape pointing to the right of the page and fading toward the center of the page. This cone of light opens up into the picture of a wafer probe card manufactured by FormFactor, which is directly above a picture of a wafer. This wafer probe card is approximately 1/5th of the size of the page and dominates the left half of the page. A cone of light originating from the middle of the wafer probe card that contains the MicroSpring contact elements opens up into a circle containing a picture of the MicroSpring contact elements, which are housed in the wafer probe card. Parallel to the bottom of the page are pictures of four types of wafer probe cards manufactured by FormFactor. The wafer probe cards have the following labels, which correspond to the chip applications for such wafer probe cards, reading from left to right: “DRAM,” “Microprocessor,” “Flash” and “Logic.” On the right hand side of each wafer probe card is an enlarged image of the MicroSpring contact elements used in the particular wafer probe card. On the far right side of the page, another column of text appears. At the top, there is the FormFactor logo trademark next to the company’s name “FormFactor.” Below the FormFactor logo trademark and the name of the company, there are five blocks of text. At the top, the first block of text reads as follows: “Improve throughput and reduce test cost by testing more die at the same time through High Parallelism” and the words “High Parallelism” appear as a shadow of text in a larger font immediately behind this block of text. The next block of text reads as follows: “Increase yields and achieve higher test frequencies with Signal Integrity” and the words “Signal Integrity” appear as a shadow of text in a larger font immediately behind this block of text. The next block of text reads as follows: “Precision Contacts to test shrinking die sizes and scale with front-end processes” and the words “Precision Contacts” appear as a shadow of text in a larger font immediately behind this block of text. The next block of text reads as follows: “Test with high positional accuracy over a wide range of temperatures with Thermal Compensation” and the words “Thermal Compensation” appear as a shadow of text in a larger font immediately behind this block of text. The final block of test, which is at the bottom of the column of text, reads as follows: “Low Contact Force to reduce structural damage to bond pads and next generation materials” and the words “Low Contact Force” appear as a shadow of text in a larger font immediately behind this block of text.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

Until , 2003 (25 days after the commencement of this offering), all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside the United States: Neither we, the selling stockholders nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

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PROSPECTUS SUMMARY

You should read the following summary together with the entire prospectus, including the more detailed information in our consolidated financial statements and related notes appearing elsewhere in this prospectus. You should carefully consider, among other things, the matters discussed in "Risk Factors."

FORMFACTOR, INC.

We design, develop, manufacture, sell and support precision, high performance advanced semiconductor wafer probe cards. In 2002, we were the leader in the advanced wafer probe card market in terms of revenues. Our products are based on our proprietary MicroSpring™ interconnect technology, which includes resilient spring-like contacts that we manufacture using precision micro-machining and scalable semiconductor-like wafer fabrication processes. Our technology enables us to produce wafer probe cards for test applications that require reliability, speed, precision and signal integrity.

The semiconductor industry has historically separated the manufacture of chips into two distinct parts: the front-end wafer fabrication process and the back-end assembly, packaging and final test process. Test is a critical and expensive part of semiconductor manufacturing and is performed in both the front-end and back-end processes. In the front-end, wafer probe test is performed on the whole wafer using wafer probe cards, and in the back-end, final test is performed on the individual packaged chip.

The semiconductor industry is experiencing a critical technology evolution driven by movement to smaller chip geometries, migration to 300 mm wafers, transition to copper interconnects and introduction of new insulating materials such as low-k dielectrics. This evolution is pushing conventional wafer probe card technologies to their practical performance limits due to one or more factors, including: the inability to test in parallel many chips on a wafer; poor signal integrity; the inability to make precise contact with shrinking bond pad sizes and pitches; the inability to test accurately over a wide range of temperatures; and the inability to contact the wafer without damaging the chips on the wafer. While conventional wafer probe cards address some of these performance limitations, no conventional technology solves all of them.

Our MicroSpring interconnect technology and our proprietary design tools and technologies solve the limitations of conventional wafer probe cards by providing:

- a high degree of parallelism that enables our customers to test a significant number of chips at the same time in a single touchdown, which reduces total wafer test time and the overall cost of test;
- superior signal integrity, enabling customers to improve yields;
- micro-machining and semiconductor-like wafer fabrication processes that enable us to scale our products to shrinking semiconductor geometries;
- thermal compensation to permit wafer probe testing over a wide range of temperatures; and
- low contact force to permit testing without damage to the chips, particularly those incorporating fragile next-generation materials, such as low-k and super low-k dielectrics.

The current evolution of the semiconductor manufacturing process is driving a substantial increase in the cost of building new manufacturing capacity, with the cost of a leading edge 300 mm wafer manufacturing facility now approaching or exceeding $3.0 billion. With ever increasing capital investments, semiconductor manufacturers are focusing on ways to accelerate their return on investment by increasing volumes and yields, decreasing the overall costs of manufacturing and improving the time to market of their products. One area of focus is test because it provides vital feedback to the design and wafer fabrication processes.

In addition to addressing the shortcomings of conventional wafer probe cards, we believe that our customers will be able to use our technology to perform more advanced test functions on devices at the wafer-level front-end, rather than on individual devices in the back-end. This will enable them to optimize their manufacturing pipeline, from initial device design and fabrication through assembly, packaging and final test. As a result,

manufacturers will be able to accelerate their return on investment by improving time to market, yield and volume.

Our objectives are to enhance our position as the leading supplier of advanced wafer probe card solutions and to apply our core MicroSpring interconnect technology to drive wafer-level economies of scale in semiconductor test. The principal elements of our strategy include: enhancing our market leadership in the dynamic random access memory, or DRAM, industry; expanding our presence in the flash memory market; increasing our penetration into the logic market; enabling migration of elements of final test to the wafer level; extending our technology leadership position; and continuing to build on our strategic relationships.

We introduced our first wafer probe card based on our MicroSpring interconnect technology in 1995, and, by the end of 2000, we were the leading supplier of advanced wafer probe cards, based on revenues. Our customers include the top 10 DRAM manufacturers, the world's largest microprocessor company, and three of the top 10 flash memory manufacturers, and, combined, these identified groups of our customers account for substantially all of our revenues. We focus our research and development activities on expanding our products into new markets and expanding applications for our MicroSpring interconnect technology. We manufacture our wafer probe cards in Livermore, California, and sell and support our products worldwide through our direct sales force, a distributor and independent sales representatives.

We were incorporated in Delaware in April 1993. Our principal executive offices are located at 2140 Research Drive, Livermore, California 94550, and our telephone number at that address is (925) 294-4300. Our Web site address is formfactor.com. The information on our Web site does not constitute part of this prospectus.

FormFactor, the FormFactor logo, MicroSpring and MOST are trademarks of FormFactor in the United States and other countries. All other trademarks, trade names or service marks appearing in this prospectus are the property of their respective owners.

THE OFFERING

Common stock offered:	
By FormFactor	5,105,305 shares
By the selling stockholders	394,695 shares
Total	5,500,000 shares
Common stock to be outstanding after this offering	32,912,970 shares
Use of proceeds	We anticipate using the net proceeds to us from this offering for general corporate purposes, including leasehold improvements at our new corporate headquarters and manufacturing facility and working capital requirements. We may also use a portion of the net proceeds to fund possible investments in, or acquisitions of, complementary businesses, products or technologies or establishing joint ventures. The selling stockholders intend to use the net proceeds to them from the sale of shares of common stock to repay loans from us and to pay related tax liabilities. As a result, we will receive approximately $2.7 million of the aggregate net proceeds from shares sold by the selling stockholders. See “Use of Proceeds.”
Proposed Nasdaq National Market symbol	FORM

The number of shares of our common stock to be outstanding immediately after this offering is based on 27,752,332 shares of our common stock outstanding on March 29, 2003, and assumes the automatic conversion of all 23,002,626 of our outstanding shares of preferred stock into 23,047,274 shares of our common stock upon the closing of this offering.

Unless otherwise indicated, all information in this prospectus assumes:

- an initial public offering price of $10.00 per share;
- that we do not issue any shares of our common stock or preferred stock, or options or warrants, and that no options or warrants lapse, subsequent to March 29, 2003;
- that the underwriters do not exercise their over-allotment option; and
- the number of shares of our common stock that will be outstanding immediately after this offering also includes 55,333 shares of common stock issuable upon exercise of options outstanding at March 29, 2003 with a weighted average exercise price of $4.27 per share. These options will be exercised by three selling stockholders, and the shares purchased through these exercises will be sold in this offering.

The number of shares of our common stock that will be outstanding immediately after this offering excludes:

- 5,675,028 shares of common stock issuable upon exercise of options outstanding at March 29, 2003 with a weighted average exercise price of $5.65 per share, which includes 55,333 shares of common stock subject to options to be exercised by three selling stockholders in this offering;
- 72,727 shares of common stock issuable upon exercise of warrants for our Series B preferred stock outstanding at March 29, 2003 with an exercise price of $1.65 per share and 46,131 shares of common stock issuable upon exercise of a warrant for our Series F preferred stock outstanding at March 29, 2003 with an exercise price of $10.85 per share;
- 3,237,308 shares of common stock available for issuance under our stock option plans at March 29, 2003; and
- 500,000 shares of common stock to be available for issuance under our stock option plan effective upon the completion of this offering and 1,500,000 shares of common stock to be available for issuance under our employee stock purchase plan effective upon the completion of this offering.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables provide summary consolidated financial data and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes appearing elsewhere in this prospectus.

	Fiscal Year Ended					Three Months Ended	
	Dec. 26, 1998	Dec. 25, 1999	Dec. 30, 2000	Dec. 29, 2001	Dec. 28, 2002	Mar. 30, 2002	Mar. 29, 2003
			(in thousands, except per share data)			(unaudited)	
Consolidated Statement of Operations Data:							
Revenues	$19,329	$35,722	$56,406	$73,433	$78,684	$17,288	$18,669
Cost of revenues	10,763	20,420	28,243	38,385	39,456	8,859	9,800
Gross margin	8,566	15,302	28,163	35,048	39,228	8,429	8,869
Total operating expenses	14,698	20,827	27,688	34,968	32,636	7,406	7,871
Operating income (loss)	(6,132)	(5,525)	475	80	6,592	1,023	998
Interest and other income (expense), net	157	(119)	1,719	477	642	155	129
Net income (loss)	$ (5,975)	$ (5,644)	$ 2,079	$ 250	$10,359	$ 846	$ 699
Net income (loss) per share:							
Basic	$ (3.60)	$ (2.16)	$ .61	$ .06	$ 2.33	$ .19	$ .15
Diluted	$ (3.60)	$ (2.16)	$ .08	$ .01	$ .35	$ .03	$ .02
Weighted-average number of shares used in per share calculations:							
Basic	1,659	2,609	3,408	4,029	4,448	4,391	4,539
Diluted	1,659	2,609	26,821	28,654	29,554	29,823	29,266
Pro forma net income per common share (unaudited):							
Basic					$ .36		$ .03
Diluted					$ .33		$ .02
Weighted-average number of shares used in pro forma per common share calculations (unaudited):							
Basic					27,491		27,586
Diluted					29,599		29,311

The pro forma consolidated balance sheet data below reflects the automatic conversion of all 23,002,626 of our outstanding shares of preferred stock into 23,047,274 shares of our common stock upon the closing of this offering. The pro forma as adjusted column of the consolidated balance sheet data also reflects the sale of 5,500,000 shares of our common stock offered by us and the selling stockholders at an assumed initial public offering price of $10.00 per share, after deducting estimated underwriting discounts and commissions and estimated offering costs payable by us and the application of the net proceeds by the selling stockholders. The consolidated balance sheet data includes approximately $1.4 million of capitalized offering costs of which $0.3 million remains unpaid as of March 29, 2003. The pro forma as adjusted balance sheet data also reflects the payment of this liability and the reclassification of our capitalized offering costs against stockholder's equity.

	March 29, 2003		
	Actual	Pro Forma	Pro Forma As Adjusted
		(unaudited) (in thousands)	
Consolidated Balance Sheet Data:			
Cash, cash equivalents and short-term investments	$ 34,846	$ 34,846	$ 84,676
Working capital	44,649	44,649	93,200
Total assets	74,358	74,358	122,580
Long-term debt, less current portion	500	500	500
Redeemable convertible preferred stock and warrants	65,201	—	—
Deferred stock-based compensation, net	(12,023)	(12,023)	(12,023)
Total stockholders' equity (deficit)	(3,938)	61,263	109,814

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information in this prospectus, before deciding whether to invest in shares of our common stock. If any of the following risks actually occurs, our business, financial condition and results of operations would suffer. In this case, the trading price of our common stock would likely decline and you might lose all or part of your investment in our common stock. The risks described below are not the only ones we face. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business operations.

Risks Related to Our Business and Industry

Our operating results are likely to fluctuate, which could cause us to miss expectations about these results and cause the trading price of our common stock to decline.

Our operating results are likely to fluctuate. As a result, we believe that you should not rely on period-to-period comparisons of our financial results as an indication of our future performance. Factors that are likely to cause our revenues and operating results to fluctuate include those discussed in the risk factors below. If our revenues or operating results fall below the expectations of market analysts or investors, the market price of our common stock could decline substantially.

Cyclicality in the semiconductor industry historically has affected our sales and might do so in the future, and as a result we could experience reduced revenues or operating results.

The semiconductor industry has historically been cyclical and is characterized by wide fluctuations in product supply and demand. From time to time, this industry has experienced significant downturns, often in connection with, or in anticipation of, maturing product and technology cycles, excess inventories and declines in general economic conditions. This cyclicality could cause our operating results to decline dramatically from one period to the next. For example, our revenues in the three months ended September 29, 2001 declined by 25.5% compared to our revenues in the three months ended June 30, 2001, and our revenues in the three months ended March 29, 2003 declined by 15.7% compared to our revenues in the three months ended December 28, 2002. Our business depends heavily upon the development of new semiconductors and semiconductor designs, the volume of production by semiconductor manufacturers and the overall financial strength of our customers, which, in turn, depend upon the current and anticipated market demand for semiconductors and products, such as personal computers, that use semiconductors. Semiconductor manufacturers generally sharply curtail their spending during industry downturns and historically have lowered their spending disproportionately more than the decline in their revenues. As a result, if we are unable to adjust our levels of manufacturing and human resources or manage our costs and deliveries from suppliers in response to lower spending by semiconductor manufacturers, our gross margin might decline and cause us to experience operating losses.

If we do not keep pace with technological developments in the semiconductor industry, our products might not be competitive and our revenues and operating results could suffer.

We must continue to invest in research and development to improve our competitive position and to meet the needs of our customers. Our future growth depends, in significant part, upon our ability to work effectively with and anticipate the testing needs of our customers, and on our ability to develop and support new products and product enhancements to meet these needs on a timely and cost-effective basis. Our customers' testing needs are becoming more challenging as the semiconductor industry continues to experience rapid technological change driven by the demand for complex circuits that are shrinking in size and at the same time are increasing in speed and functionality and becoming less expensive to produce. Our customers expect that they will be able to integrate our wafer probe cards into any manufacturing process as soon as it is deployed. Therefore, to meet these expectations and remain competitive, we must continually design, develop and introduce on a timely basis new

products and product enhancements with improved features. Successful product development and introduction on a timely basis requires that we:

- design innovative and performance-enhancing features that differentiate our products from those of our competitors;
- transition our products to new manufacturing technologies;
- identify emerging technological trends in our target markets;
- maintain effective marketing strategies;
- respond effectively to technological changes or product announcements by others; and
- adjust to changing market conditions quickly and cost-effectively.

We must devote significant research and development resources to keep up with the rapidly evolving technologies used in the semiconductor manufacturing processes. Not only do we need the technical expertise to implement the changes necessary to keep our technologies current, but we must also rely heavily on the judgment of our management to anticipate future market trends. If we are unable to timely predict industry changes, or if we are unable to modify our products on a timely basis, we might lose customers or market share. In addition, we might not be able to recover our research and development expenditures, which could harm our operating results.

If semiconductor memory device manufacturers do not convert to 300 mm wafers, our growth could be impeded.

The growth of our business for the foreseeable future depends in large part upon sales of our wafer probe cards to manufacturers of dynamic random access memory, or DRAM, and flash memory devices. The recent downturn in the semiconductor industry caused various chip manufacturers to readdress their respective strategies for converting existing 200 mm wafer fabrication facilities to 300 mm wafer fabrication, or for building new 300 mm wafer fabrication facilities. Some manufacturers have delayed, cancelled or postponed previously announced plans to convert to 300 mm wafer fabrication. We believe that the decision to convert to a 300 mm wafer fabrication facility is made by each manufacturer based upon both internal and external factors, such as:

- current and projected chip prices;
- projected price erosion for the manufacturer’s particular chips;
- supply and demand issues;
- overall manufacturing capability within the manufacturer’s target market(s);
- the availability of funds to the manufacturer;
- the technology roadmap of the manufacturer; and
- the price and availability of equipment needed within the 300 mm facility.

One or more of these internal and external factors, as well as other factors, including factors that a manufacturer may choose to not publicly disclose, can impact the decision to maintain a 300 mm conversion schedule, to delay the conversion schedule for a period of time, or to cancel the conversion. We have invested significant resources to develop technology that addresses the market for 300 mm wafers. If manufacturers of memory devices do not transition to 300 mm wafers, or make the transition more slowly than we currently expect, our growth and profitability could be impeded. In addition, any delay in large-scale adoption of manufacturing based upon 300 mm wafers would provide time for other companies to develop and market products that compete with ours, which could harm our competitive position.

We are subject to general economic and market conditions.

Our business is subject to the effects of general economic conditions in the United States and worldwide, and to market conditions in the semiconductor industry in particular. For example, in fiscal 2001, our operating

results were adversely affected by unfavorable global economic conditions and reduced capital spending by semiconductor manufacturers. These adverse conditions resulted in a decrease in the demand for semiconductors and products using semiconductors, and in a sharp reduction in the development of new semiconductors and semiconductor designs. As a result, we experienced a decrease in the demand for our wafer probe cards. If the economic conditions in the United States and worldwide do not improve, or if they worsen from current levels, we could experience material negative effects on our business.

We depend upon the sale of our wafer probe cards for substantially all of our revenues, and a downturn in demand for our products could have a more disproportionate impact on our revenues than if we derived revenues from a more diversified product offering.

Historically, we have derived substantially all of our revenues from the sale of our wafer probe cards. We anticipate that sales of our wafer probe cards will represent a substantial majority of our revenues for the foreseeable future. Our business depends in large part upon continued demand in current markets for, and adoption in new markets of, current and future generations of our wafer probe cards. Large-scale market adoption depends upon our ability to increase customer awareness of the benefits of our wafer probe cards and to prove their reliability, ability to increase yields and cost effectiveness. We may be unable to sell our wafer probe cards to certain potential customers unless those customers change their device test strategies, change their wafer probe card and capital equipment buying strategies, or change or upgrade their existing test equipment. We might not be able to sustain or increase our revenues from sales of our wafer probe cards, particularly if the current downturn in the semiconductor market continues or if the market enters into another downturn in the future. Any decrease in revenues from sales of our wafer probe cards could harm our business more than it would if we offered a more diversified line of products.

If demand for our products in the memory device and microprocessor markets declines or fails to grow as we anticipate, our revenues could decline.

We derive substantially all of our revenues from wafer probe cards that we sell to manufacturers of memory devices and microprocessors. For fiscal 2002, sales to manufacturers of DRAM devices accounted for 69.6% of our revenues, sales to manufacturers of microprocessors accounted for 17.4% of our revenues, and sales to manufacturers of flash memory devices accounted for 11.7% of our revenues. Therefore, our success depends in part upon the continued acceptance of our products within these markets and our ability to continue to develop and introduce new products on a timely basis for these markets. For example, the market might not accept an increasingly high parallelism wafer test solution.

A substantial portion of these semiconductor devices is sold to manufacturers of personal computers and computer-related products. The personal computer market has historically been characterized by significant fluctuations in demand and continuous efforts to reduce costs, which in turn have affected the demand for and price of DRAM devices and microprocessors. The personal computer market might not grow in the future at historical rates or at all and design activity in the personal computer market might decrease, which could negatively affect our revenues and operating results.

The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be harmed.

The wafer probe card market is highly competitive. With the introduction of new technologies and market entrants, we expect competition to intensify in the future. In the past, increased competition has resulted in price reductions, reduced gross margins or loss of market share, and could do so in the future. Competitors might introduce new competitive products for the same markets that our products currently serve. These products may have better performance, lower prices and broader acceptance than our products. In addition, for products such as wafer probe cards, semiconductor manufacturers typically qualify more than one source, to avoid dependence on a single source of supply. As a result, our customers will likely purchase products from our competitors. Current and potential competitors include Cascade Microtech, Inc., ESJ Corporation, Feinmetall GmbH, Japan Electronic Materials Corporation, Kulicke and Soffa Industries, Inc., Micronics Japan Co., Ltd., MicroProbe, Inc., NanoNexus Inc., Phicom Corporation, Tokyo Cathode Laboratory Co., Ltd. and Wentworth Laboratories, Inc.,

among others. Many of our current and potential competitors have greater name recognition, larger customer bases, more established customer relationships or greater financial, technical, manufacturing, marketing and other resources than we do. As a result, they might be able to respond more quickly to new or emerging technologies and changes in customer requirements, devote greater resources to the development, promotion, sale and support of their products, and reduce prices to increase market share. Some of our competitors also supply other types of test equipment, or offer both advanced wafer probe cards and needle probe cards. Those competitors that offer both advanced wafer probe cards and needle probe cards might have strong, existing relationships with our customers or with potential customers. Because we do not offer a needle probe card or other conventional technology wafer probe card for less advanced applications, it may be difficult for us to introduce our advanced wafer probe cards to these customers and potential customers for certain wafer test applications. It is possible that existing or new competitors, including test equipment manufacturers, may offer new technologies that reduce the value of our wafer probe cards. The wafer probe card market has historically been fragmented with many local suppliers serving individual customers. However, recent consolidation has reduced the number of competitors. For example, in late 2000, Kulicke and Soffa Industries, Inc. acquired Probe Technology Corporation and Cerprobe Corporation. These and other combinations might result in a competitor gaining a significant advantage over us by enabling it to expand its product offerings and service capabilities to meet a broader range of customer needs.

We derive a substantial portion of our revenues from a small number of customers, and our revenues could decline significantly if any major customer cancels, reduces or delays a purchase of our products.

A relatively small number of customers has accounted for a significant portion of our revenues in any particular period. In the three months ended March 29, 2003, four customers accounted for 73.7% of our revenues. In fiscal 2002, four customers accounted for 77.2% of our revenues. Our ten largest customers accounted for 98.9% of our revenues in the three months ended March 29, 2003, 97.4% of our revenues in fiscal 2002, and 97.8% in fiscal 2001. We anticipate that sales of our products to a relatively small number of customers will continue to account for a significant portion of our revenues. The cancellation or deferral of even a small number of purchases of our products could cause our revenues to decline in any particular quarter. A number of factors could cause customers to cancel or defer orders, including manufacturing delays, interruptions to our customers' operations due to fire, natural disasters or other events or a downturn in the semiconductor industry. Our agreements with our customers do not contain minimum purchase commitments, and our customers could cease purchasing our products with short or no notice to us or fail to pay all or part of an invoice. In some situations, our customers might be able to cancel orders without a significant penalty. In addition, the continuing trend toward consolidation in the semiconductor industry, particularly among manufacturers of DRAMs, could reduce our customer base and lead to lost or delayed sales and reduced demand for our wafer probe cards. Industry consolidation also could result in pricing pressures as larger DRAM manufacturers could have sufficient bargaining power to demand reduced prices and favorable nonstandard terms. Additionally, certain customers may not want to rely entirely or substantially on a single wafer probe card supplier and, as a result, such customers could reduce their purchases of our wafer probe cards.

If our relationships with our customers and companies that manufacture semiconductor test equipment deteriorate, our product development activities could be harmed.

The success of our product development efforts depends upon our ability to anticipate market trends and to collaborate closely with our customers and with companies that manufacture semiconductor test equipment. Our relationships with these customers and companies provide us with access to valuable information regarding manufacturing and process technology trends in the semiconductor industry, which enables us to better plan our product development activities. These relationships also provide us with opportunities to understand the performance and functionality requirements of our customers, which improve our ability to customize our products to fulfill their needs. Our relationships with test equipment companies are important to us because test equipment companies can design our wafer probe cards into their equipment and provide us with the insight into

their product plans that allows us to offer wafer probe cards for use with their products when they are introduced to the market. Our relationships with our customers and test equipment companies could deteriorate if they:

- become concerned about our ability to protect their intellectual property;
- develop their own solutions to address the need for testing improvement;
- regard us as a competitor;
- establish relationships with others in our industry; or
- attempt to restrict our ability to enter into relationships with their competitors.

Many of our customers and the test equipment companies we work with are large companies. The consequences of deterioration in our relationship with any of these companies could be exacerbated due to the significant influence these companies can exert in our markets. If our current relationships with our customers and test equipment companies deteriorate, or if we are unable to develop similar collaborative relationships with important customers and test equipment companies in the future, our long-term ability to produce commercially successful products could be impaired.

Because we generally do not have a sufficient backlog of unfilled orders to meet our quarterly revenue targets, revenues in any quarter are substantially dependent upon customer orders received and fulfilled in that quarter.

Our revenues are difficult to forecast because we generally do not have a sufficient backlog of unfilled orders to meet our quarterly revenue targets at the beginning of a quarter. Rather, a majority of our revenues in any quarter depends upon customer orders for our wafer probe cards that we receive and fulfill in that quarter. Because our expense levels are based in part on our expectations as to future revenues and to a large extent are fixed in the short term, we might be unable to adjust spending in time to compensate for any unexpected shortfall in revenues. Accordingly, any significant shortfall of revenues in relation to our expectations could hurt our operating results.

We rely upon a distributor for a substantial portion of our revenues, and a disruption in our relationship with our distributor could have a negative impact on our revenues.

We rely on Spirox Corporation, our distributor in Taiwan, Singapore and China, for a substantial portion of our revenues. Sales to Spirox accounted for 20.9% of our revenues in fiscal 2002 and 10.0% of our revenues in the three months ended March 29, 2003. Spirox also provides customer support. A reduction in the sales or service efforts or financial viability of our distributor, or deterioration in, or termination of, our relationship with our distributor could harm our revenues, our operating results and our ability to support our customers in the distributor's territory. In addition, establishing alternative sales channels in the region could consume substantial time and resources, decrease our revenues and increase our expenses.

If we do not continue to execute on our transition from indirect to direct sales in Japan, we could lose customers.

Until March 31, 2002, we relied upon a distributor to sell our products in Japan. For the three months ended March 29, 2003, we did not have any sales through the distributor in Japan, and in fiscal 2002, our sales to our distributor in Japan were 1.7% of our revenues. We intend to rely upon our direct sales force and believe we have successfully transitioned to the direct sales model. However, if we do not continue to execute effectively on the direct sales model, we could lose customers and fail to obtain new customers in Japan. Any difficulties as a result of this transition could hurt our reputation and sales in Japan, which is an important market for us.

If our relationships with our independent sales representatives change, our business could be harmed.

We currently rely on independent sales representatives to assist us in the sale of our products in various geographic regions. If we make the business decision to terminate or modify our relationships with one or more of our independent sales representatives, or if an independent sales representative decides to disengage from us,

and we do not effectively and efficiently manage such a change, we could lose sales to existing customers and fail to obtain new customers.

If semiconductor manufacturers do not migrate elements of final test to wafer probe test, market acceptance of other applications of our technology could be delayed.

We intend to work with our customers to migrate elements of final test from the device level to the wafer level. This migration will involve a change in semiconductor test strategies from concentrating final test at the individual device level to increasing the amount of test at the wafer level. Semiconductor manufacturers typically take time to qualify new strategies that affect their testing operations. As a result, general acceptance of wafer-level final test might not occur in the near term or at all. In addition, semiconductor manufacturers might not accept and use wafer-level final test in a way that uses our technology. If the migration of elements of final test to wafer probe test does not grow as we anticipate, or if semiconductor manufacturers do not adopt our technology for their wafer probe test requirements, market acceptance of other applications for our technology could be delayed.

Changes in test strategies, equipment and processes could cause us to lose revenues.

The demand for wafer probe cards depends in large part upon the number of semiconductor designs and the overall semiconductor unit volume. The time it takes to test a wafer depends upon the number of devices being tested, the complexity of these devices, the test software program and the test equipment itself. As test programs become increasingly effective and test throughput increases, the number of wafer probe cards required to test a given volume of devices declines. Therefore, advances in the test process could cause us to lose sales.

If semiconductor manufacturers implement chip designs that include built-in self-test capabilities, or similar functions or methodologies that increase test throughput, it could negatively impact our sales or the migration of elements of final test to the wafer level. Additionally, if new chip designs or types of chips are implemented that require less, or even no, test using wafer probe cards, our revenues could be impacted. Further, if new chip designs are implemented which we are unable to test, or which we are unable to test efficiently and provide our customers with an acceptably low overall cost of test, our revenues could be negatively impacted.

We incur significant research and development expenses in conjunction with the introduction of new product platforms. Often, we time our product introductions to the introduction of new test equipment platforms. Because our customers require both test equipment and wafer probe cards, any delay or disruption of the introduction of new test equipment platforms would negatively affect our growth.

We manufacture all of our products at a single facility, and any disruption in the operations of that facility could adversely impact our business and operating results.

Our processes for manufacturing our wafer probe cards require sophisticated and costly equipment and a specially designed facility, including a semiconductor clean room. We manufacture all of our wafer probe cards at one facility located in Livermore, California. Any disruption in the operation of that facility, whether due to technical or labor difficulties, destruction or damage from fire or earthquake, infrastructure failures such as power or water shortage or any other reason, could interrupt our manufacturing operations, impair critical systems, disrupt communications with our customers and suppliers and cause us to write off inventory and to lose sales. In addition, if the energy crises in California that resulted in disruptions in power supply and increases in utility costs were to recur, we might experience power interruptions and shortages, which could disrupt our manufacturing operations. This could subject us to loss of revenues as well as significantly higher costs of energy. Further, current and potential customers might not purchase our products if they perceive our lack of an alternate manufacturing facility to be a risk to their continuing source of supply.

The transition to our new manufacturing facilities could cause a decline in our operating results.

We plan to move our manufacturing operations into a new facility in Livermore in 2004. The costs of starting up our new manufacturing facility, including capital costs such as equipment and fixed costs such as rent, will be substantial. We might not be able to shift from our current production facility to the new production

facility efficiently or effectively. The transition will require us to have both our existing and new manufacturing facilities operational for several quarters. This will cause us to incur significant costs due to redundancy of infrastructure at both sites. Furthermore, the qualification of the new manufacturing facility will require us to use materials and build product and product components that will not be sold to our customers, causing higher than normal material spending. The transition might also lead to manufacturing interruptions, which could mean delayed deliveries or lost sales. Some or all of our customers could require a full qualification of our new facility. Any qualification process could take longer than we anticipate. Any difficulties with the transition or with bringing the new manufacturing facility to full capacity and volume production could increase our costs, disrupt our production process and cause delays in product delivery and lost sales.

If we are unable to manufacture our products efficiently, our operating results could suffer.

We must continuously modify our manufacturing processes in an effort to improve yields and product performance, lower our costs and reduce the time it takes us to design and produce our products. We will incur significant start-up costs associated with implementing new manufacturing technologies, methods and processes and purchasing new equipment, which could negatively impact our gross margin. We could experience manufacturing delays and inefficiencies as we refine new manufacturing technologies, methods and processes, implement them in volume production and qualify them with customers, which could cause our operating results to decline. The risk of encountering delays or difficulties increases as we manufacture more complex products. In addition, if demand for our products increases, we will need to expand our operations to manufacture sufficient quantities of products without increasing our production times or our unit costs. As a result of such expansion, we could be required to purchase new equipment, upgrade existing equipment, develop and implement new manufacturing processes and hire additional technical personnel. Further, new or expanded manufacturing facilities could be subject to qualification by our customers. In the past, we have experienced difficulties in expanding our operations to manufacture our products in volume on time and at acceptable cost. Any difficulties in expanding our manufacturing operations could cause product delivery delays and lost sales. If demand for our products decreases, we could have excess manufacturing capacity. The fixed costs associated with excess manufacturing capacity could cause our operating results to decline. If we are unable to achieve further manufacturing efficiencies and cost reductions, particularly if we are experiencing pricing pressures in the marketplace, our operating results could suffer.

If we are unable to continue to reduce the time it takes for us to design and produce a wafer probe card, our growth could be impeded.

Our customers continuously seek to reduce the time it takes them to introduce new products to market. The cyclicality of the semiconductor industry, coupled with changing demands for semiconductor devices, requires our customers to be flexible and highly adaptable to changes in the volume and mix of products they must produce. Each of those changes requires a new design and each new design requires a new wafer probe card. For some existing semiconductor devices, the manufacturers' volume and mix of product requirements are such that we are unable to design, manufacture and ship products to meet such manufacturers' relatively short cycle time requirements. If we are unable to reduce the time it takes for us to design, manufacture and ship our products in response to the needs of our customers, our competitive position could be harmed. If we are unable to meet a customer's schedule for wafer probe cards for a particular design, our customer might purchase wafer probe cards from a competitor and we might lose sales.

We obtain some of the components and materials we use in our products from a single or sole source or a limited group of suppliers, and the partial or complete loss of one of these suppliers could cause production delays and a substantial loss of revenues.

We obtain some of the components and materials used in our products, such as printed circuit board assemblies, plating materials and ceramic substrates, from a single or sole source or a limited group of suppliers. Alternative sources are not currently available for sole source components and materials. Because we rely on purchase orders rather than long-term contracts with the majority of our suppliers, we cannot predict with certainty our ability to obtain components and materials in the longer term. A sole or limited source supplier

could increase prices, which could lead to a decline in our gross margin. Our dependence upon sole or limited source suppliers exposes us to several other risks, including a potential inability to obtain an adequate supply of materials, late deliveries and poor component quality. Disruption or termination of the supply of components or materials could delay shipments of our products, damage our customer relationships and reduce our revenues. For example, if we were unable to obtain an adequate supply of a component or material, we might have to use a substitute component or material, which could require us to make changes in our manufacturing process. From time to time in the past, we have experienced difficulties in receiving shipments from one or more of our suppliers, especially during periods of high demand for our products. If we cannot obtain an adequate supply of the components and materials we require, or do not receive them in a timely manner, we might be required to identify new suppliers. We might not be able to identify new suppliers on a timely basis or at all. Our customers and we would also need to qualify any new suppliers. The lead-time required to identify and qualify new suppliers could affect our ability to timely ship our products and cause our operating results to suffer. Further, a sole or limited source supplier could require us to enter into non-cancelable purchase commitments or pay in advance to ensure our source of supply. In an industry downturn, commitments of this type could result in charges for excess inventory of parts. If we are unable to predict our component and materials needs accurately, or if our supply is disrupted, we might miss market opportunities by not being able to meet the demand for our products.

Wafer probe cards that do not meet specifications or that contain defects could damage our reputation, decrease market acceptance of our technology, cause us to lose customers and revenues, and result in liability to us.

The complexity and ongoing development of our wafer probe card manufacturing process, combined with increases in wafer probe card production volumes, have in the past and could in the future lead to design or manufacturing problems. For example, the presence of contaminants in our plating baths has caused a decrease in our manufacturing yields or has resulted in unanticipated stress-related failures when our wafer probe cards are being used in the manufacturing test environment. Manufacturing design errors such as the miswiring of a wafer probe card or the incorrect placement of probe contact elements have caused us to repeat manufacturing design steps. In addition to these examples, problems might result from a number of factors, including design defects, materials failures, contamination in the manufacturing environment, impurities in the materials used, unknown sensitivities to process conditions, such as temperature and humidity, and equipment failures. As a result, our products have in the past contained and might in the future contain undetected errors or defects. Any errors or defects could:

- cause lower than anticipated yields and lengthening of delivery schedules;
- cause delays in product shipments;
- cause delays in new product introductions;
- cause us to incur warranty expenses;
- result in increased costs and diversion of development resources;
- cause us to incur increased charges due to unusable inventory;
- require design modifications; or
- decrease market acceptance or customer satisfaction with these products.

The occurrence of any one or more of these events could hurt our operating results.

In addition, if any of our products fails to meet specifications or has reliability, quality or compatibility problems, our reputation could be damaged significantly and customers might be reluctant to buy our products, which could result in a decline in revenues, an increase in product returns or warranty costs and the loss of existing customers or the failure to attract new customers. Our customers use our products with test equipment and software in their manufacturing facilities. Our products must be compatible with the customers' equipment and software to form an integrated system. If the system does not function properly, we could be required to provide field application engineers to locate the problem, which can take time and resources. If the problem relates to our wafer probe cards, we might have to invest significant capital, manufacturing capacity and other

resources to correct it. Our current or potential customers also might seek to recover from us any losses resulting from defects or failures in our products. Liability claims could require us to spend significant time and money in litigation or to pay significant damages.

If we fail to forecast demand for our products accurately, we could incur inventory losses.

Each semiconductor chip design requires a custom wafer probe card. Because our products are design-specific, demand for our products is difficult to forecast. Due to our customers' short delivery time requirements, we often design, and at times produce, our products in anticipation of demand for our products rather than in response to an order. Due to the uncertainty inherent in forecasts, we are and expect to continue to be subject to inventory risk. If we do not obtain orders as we anticipate, we could have excess inventory for a specific customer design that we would not be able to sell to any other customer, which would likely result in inventory write-offs.

If we fail to effectively manage our regional service centers, our business might be harmed.

In 2002, we opened a regional repair and service center in Seoul, South Korea, and in 2003, we opened a regional repair and service center in Dresden, Germany. These regional service centers are part of our strategy to, among other things, provide our customers with more efficient service and repair of our wafer probe cards. If we are unable to effectively manage our regional service centers, or if the work undertaken in the regional service centers is not equivalent to the level and quality provided by repairs and services performed by our North American repair and service operations, which are part of our manufacturing facility in Livermore, California, we could incur higher wafer probe card repair and service costs, which could harm our operating results.

If we do not effectively manage changes in our business, these changes could place a significant strain on our management and operations and, as a result, our business might not succeed.

Our ability to grow successfully requires an effective planning and management process. We plan to increase the scope of our operations and the size of our direct sales force domestically and internationally. For example, we have leased a new facility in Livermore, California and plan to move our corporate headquarters and manufacturing operations into this facility in 2004. Our growth could place a significant strain on our management systems, infrastructure and other resources. To manage our growth effectively, we must invest the necessary capital and continue to improve and expand our systems and infrastructure in a timely and efficient manner. Those resources might not be available when we need them, which would limit our growth. Our officers have limited experience in managing large or rapidly growing businesses. In addition, the majority of our management has no experience in managing a public company or communicating with securities analysts and public company investors. Our controls, systems and procedures might not be adequate to support a growing public company. If our management fails to respond effectively to changes in our business, our business might not succeed.

If we fail to attract and retain qualified personnel, our business might be harmed.

Our future success depends largely upon the continued service of our key management, technical, and sales and marketing personnel, and on our continued ability to hire, integrate and retain qualified individuals, particularly engineers and sales and marketing personnel in order to increase market awareness of our products and to increase revenues. For example, in the future, we might need technical personnel experienced in competencies that we do not currently have or require. Competition for these employees may be intense, and we might not be successful in attracting or retaining these personnel. The loss of any key employee, the failure of any key employee to perform in his or her current position or our inability to attract and retain skilled employees as needed could impair our ability to meet customer and technological demands. All of our key personnel in the United States are employees at-will. We have no employment contracts with any of our personnel in the United States.

We may make acquisitions, which could put a strain on our resources, cause ownership dilution to our stockholders and adversely affect our financial results.

While we have made no acquisitions of businesses, products or technologies in the past, we may make acquisitions of complementary businesses, products or technologies in the future. Integrating newly acquired businesses, products or technologies into our company could put a strain on our resources, could be expensive and time consuming, and might not be successful. Future acquisitions could divert our management's attention from other business concerns and expose our business to unforeseen liabilities or risks associated with entering new markets. In addition, we might lose key employees while integrating new organizations. Consequently, we might not be successful in integrating any acquired businesses, products or technologies, and might not achieve anticipated revenues and cost benefits. In addition, future acquisitions could result in customer dissatisfaction, performance problems with an acquired company, potentially dilutive issuances of equity securities or the incurrence of debt, contingent liabilities, possible impairment charges related to goodwill or other intangible assets or other unanticipated events or circumstances, any of which could harm our business.

As part of our sales process, we could incur substantial sales and engineering expenses that do not result in revenues, which would harm our operating results.

Our customers generally expend significant efforts evaluating and qualifying our products prior to placing an order. The time that our customers require to evaluate and qualify our wafer probe cards is typically between three and 12 months and sometimes longer. While our customers are evaluating our products, we might incur substantial sales, marketing, and research and development expenses. For example, we typically expend significant resources educating our prospective customers regarding the uses and benefits of our wafer probe cards and developing wafer probe cards customized to the potential customer's needs, for which we might not be reimbursed. Although we commit substantial resources to our sales efforts, we might never receive any revenues from a customer. For example, many semiconductor designs never reach production, including designs for which we have expended design effort and expense. In addition, prospective customers might decide not to use our wafer probe cards. The length of time that it takes for the evaluation process and for us to make a sale depends upon many factors including:

- the efforts of our sales force and our distributor and independent sales representatives;
- the complexity of the customer's fabrication processes;
- the internal technical capabilities of the customer; and
- the customer's budgetary constraints and, in particular, the customer's ability to devote resources to the evaluation process.

In addition, product purchases are frequently subject to delays, particularly with respect to large customers for which our products may represent a small percentage of their overall purchases. As a result, our sales cycles are unpredictable. If we incur substantial sales and engineering expenses without generating revenues, our operating results could be harmed.

From time to time, we might be subject to claims of infringement of other parties' proprietary rights, or to claims that our intellectual property rights are invalid or unenforceable, which could result in significant expense and loss of intellectual property rights.

In the future, we might receive claims that we are infringing intellectual property rights of others, or claims that our patents or other intellectual property rights are invalid or unenforceable. We have received in the past, and may receive in the future, communications from third parties inquiring about our interest in licensing certain of their intellectual property or more generally identifying intellectual property that may be of interest to us. For example, we received such a communication from Microelectronics and Computer Technology Corporation in October 2001, with a follow-up letter in January 2002, inquiring about our interest in acquiring a license to certain of their patents and technology, and from IBM Corporation in February 2002 inquiring about our interest in acquiring a license to IBM patents and technology related to high density integrated probes. In August 2002, subsequent to our initiating correspondence with Japan Electronic Materials Corporation regarding the scope of

our intellectual property rights and the potential applicability of those rights to certain of its wafer probe cards, Japan Electronic Materials Corporation offered that precedent technologies exist as to one of our foreign patents that we had identified, and also referenced a U.S. patent in which it stated we might take interest. For the inquiries we have received to date, we do not believe we infringe any of the identified patents and technology. The semiconductor industry is characterized by uncertain and conflicting intellectual property claims and vigorous protection and pursuit of these rights. The resolution of any claims of this nature, with or without merit, could be time consuming, result in costly litigation or cause product shipment delays. In the event of an adverse ruling, we might be required to pay substantial damages, cease the use or sale of infringing products, spend significant resources to develop non-infringing technology, discontinue the use of certain technology or enter into license agreements. License agreements, if required, might not be available on terms acceptable to us or at all. The loss of access to any of our intellectual property or the ability to use any of our technology could harm our business.

If we fail to protect our proprietary rights, our competitors might gain access to our technology, which could adversely affect our ability to compete successfully in our markets and harm our operating results.

If we fail to protect our proprietary rights adequately, our competitors might gain access to our technology. Unauthorized parties might attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Others might independently develop similar or competing technologies or methods or design around our patents. In addition, the laws of many foreign countries in which we or our customers do business do not protect our intellectual property rights to the same extent as the laws of the United States. As a result, our competitors might offer similar products and we might not be able to compete successfully. We also cannot assure that:

- our means of protecting our proprietary rights will be adequate;
- patents will be issued from our currently pending or future applications;
- our existing patents or any new patents will be sufficient in scope or strength to provide any meaningful protection or commercial advantage to us;
- any patent, trademark or other intellectual property right that we own will not be invalidated, circumvented or challenged in the United States or foreign countries; or
- others will not misappropriate our proprietary technologies or independently develop similar technology, duplicate our products or design around any patent or other intellectual property rights that we own.

We might be required to spend significant resources to monitor and protect our intellectual property rights. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Any litigation, whether or not it is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel. In addition, many of our customer contracts contain provisions that require us to indemnify our customers for third party intellectual property infringement claims, which would increase the cost to us of an adverse ruling in such a claim. An adverse determination could also prevent us from licensing our technologies and methods to others.

Our failure to comply with environmental laws and regulations could subject us to significant fines and liabilities, and new laws and regulations or changes in regulatory interpretation or enforcement could make compliance more difficult and costly.

We are subject to various and frequently changing U.S. federal, state and local, and foreign governmental laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites and the maintenance of a safe workplace. We could incur substantial costs, including cleanup costs, civil or criminal fines or sanctions and third-party claims for property damage or personal injury, as a result of violations of or liabilities under environmental laws and regulations or non-compliance with the environmental permits required at our facilities. For instance, in May 2003, we received a Notice of Violation

from the Bay Area Air Quality Management District regarding our record keeping relating to our usage of wipe cleaning solvent. Although we introduced corrective action to prevent any continued or recurrent record keeping violation, we may still be subject to a substantial penalty based upon the unresolved Notice of Violation or required to take further action. Final resolution of this Notice of Violation could harm our operating results.

These laws, regulations and permits also could require the installation of costly pollution control equipment or operational changes to limit pollution emissions or decrease the likelihood of accidental releases of hazardous substances. In addition, new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination at our or others' sites or the imposition of new cleanup requirements could require us to curtail our operations, restrict our future expansion, subject us to liability and cause us to incur future costs that would have a negative effect on our operating results and cash flow.

Because we conduct some of our business internationally, we are subject to operational, economic, financial and political risks abroad.

Sales of our products to customers outside the United States have accounted for an important part of our revenues. Our international sales as a percentage of our revenues were 47.6% for the three months ended March 29, 2003 and 44.4% for fiscal 2002. In the future, we expect international sales, particularly into Europe, Japan, South Korea and Taiwan, to continue to account for a significant percentage of our revenues. Accordingly, we will be subject to risks and challenges that we would not otherwise face if we conducted our business only in the United States. These risks and challenges include:

- compliance with a wide variety of foreign laws and regulations;
- legal uncertainties regarding taxes, tariffs, quotas, export controls, export licenses and other trade barriers;
- political and economic instability in, or foreign conflicts that involve or affect, the countries of our customers;
- difficulties in collecting accounts receivable and longer accounts receivable payment cycles;
- difficulties in staffing and managing personnel, distributors and representatives;
- reduced protection for intellectual property rights in some countries;
- currency exchange rate fluctuations, which could affect the value of our assets denominated in local currency, as well as the price of our products relative to locally produced products;
- seasonal fluctuations in purchasing patterns in other countries; and
- fluctuations in freight rates and transportation disruptions.

Any of these factors could harm our existing international operations and business or impair our ability to continue expanding into international markets.

The recent outbreak of SARS in the Asia-Pacific region and its continued spread could harm sales of our products.

The recent outbreak of severe acute respiratory syndrome, or SARS, that began in China, Hong Kong, Singapore and Vietnam may have a negative impact on our business, although we do not have any employees located in any of those countries. Our business may be impacted by a number of SARS-related factors, including, but not limited to, disruptions in the operations of our customers and their partners, reduced sales in certain end-markets, such as DRAM devices, and increased costs to conduct our business abroad. If the number of cases of SARS continues to rise or spread to other areas, including the United States, our sales could potentially be harmed.

We might require additional capital to support business growth, and such capital might not be available.

We intend to continue to make investments to support business growth and may require additional funds to respond to business challenges, which include the need to develop new products or enhance existing products, enhance our operating infrastructure and acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financing to secure additional funds. Equity and debt financing, however, might not be available when needed or, if available, might not be available on terms satisfactory to us. If we are unable to obtain adequate financing or financing on terms satisfactory to us, our ability to continue to support our business growth and to respond to business challenges could be significantly limited.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

We prepare our financial statements in conformity with accounting principles generally accepted in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, the Securities and Exchange Commission and various bodies formed to interpret and create appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

Recently enacted and proposed changes in securities laws and regulations are likely to increase our costs.

The Sarbanes-Oxley Act of 2002 that became law in July 2002, as well as new rules subsequently implemented by the Securities and Exchange Commission, have required changes in some of our corporate governance practices. The Act also requires the Securities and Exchange Commission to promulgate additional new rules on a variety of subjects. In addition to final rules and rule proposals already made by the Securities and Exchange Commission, Nasdaq has proposed revisions to its requirements for companies that are Nasdaq-listed, as we propose to be. We expect these new rules and regulations to increase our legal and financial compliance costs, and to make some activities more difficult, time consuming and/or costly. We also expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These new rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers.

Risks Related to this Offering

The trading price of our common stock is likely to be volatile, and you might not be able to sell your shares at or above the initial public offering price.

The trading prices of the securities of technology companies have been highly volatile. Accordingly, the trading price of our common stock is likely to be subject to wide fluctuations. Further, our securities have no prior trading history. Factors affecting the trading price of our common stock include:

- variations in our operating results;
- announcements of technological innovations, new products or product enhancements, strategic alliances or significant agreements by us or by our competitors;
- recruitment or departure of key personnel;
- the gain or loss of significant orders or customers;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow our common stock; and
- market conditions in our industry, the industries of our customers and the economy as a whole.

In addition, if the market for technology stocks or the stock market in general experiences continued or greater loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to

our business, operating results or financial condition. The trading price of our common stock also might decline in reaction to events that affect other companies in our industry even if these events do not directly affect us.

If securities analysts do not publish research or reports about our business, our stock price could decline.

The trading market for our common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. If one or more of the analysts who cover us downgrade our stock, our stock price would likely decline rapidly. If one or more of these analysts cease coverage of our company, we could lose visibility in the market, which in turn could cause our stock price to decline.

The concentration of our capital stock ownership with insiders upon the completion of this offering will likely limit your ability to influence corporate matters.

We anticipate that our executive officers, directors, current 5% or greater stockholders and entities affiliated with any of them will together beneficially own approximately 57.3% of our common stock outstanding after this offering. As a result, these stockholders, acting together, will have significant influence over all matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. As a result, corporate actions might be taken even if other stockholders, including those who purchase shares in this offering, oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of our company that other stockholders may view as beneficial.

Our management will have broad discretion over the use of the proceeds to us from this offering and might not apply the proceeds of this offering in ways that increase the value of your investment.

Our management will have broad discretion to use the net proceeds to us from this offering, and you will be relying on the judgment of our management regarding the application of these proceeds. We intend to use a portion of the net proceeds to us from this offering for leasehold improvements at our new corporate headquarters and manufacturing facility. Although we expect our management to use the remaining net proceeds from this offering for general corporate purposes, including working capital and for potential strategic investments or acquisitions, we have not allocated these net proceeds for specific purposes. Our management might not be able to yield a significant return, if any, on any investment of these net proceeds.

Future sales of shares by existing stockholders could cause our stock price to decline.

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the 180-day contractual lock-up and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline below the initial public offering price. For example, if at the end of the 180-day lock-up period, existing stockholders sell substantial amounts of our common stock, the trading price of our common stock could decline significantly. Based on shares outstanding as of March 29, 2003, upon completion of this offering, we will have outstanding approximately 32,912,970 shares of common stock, assuming no exercise of the underwriters' over-allotment option. Of these shares, only shares of common stock sold in this offering will be freely tradable, without restriction, in the public market, except that the shares of common stock sold in this offering that are purchased through the directed share program, which is available only to employees, will also be subject to the 180-day lock-up period. Further, any shares of common stock purchased by any of our employees who are deemed to be our affiliates through the directed share program, in addition to being subject to the 180-day lock-up agreement, will also be tradable only under the provisions of Rule 144 under the Securities Act. Morgan Stanley & Co. Incorporated may, in its sole discretion, permit our officers, directors, employees and current stockholders to sell shares prior to the expiration of the lock-up agreements.

After the lock-up agreements pertaining to this offering expire 180 days from the date of this prospectus, an additional 27,412,970 shares will be eligible for sale in the public market. 19,915,567 of these shares are held by directors, executive officers and other affiliates and will be subject to volume limitations under Rule 144 of the Securities Act and various vesting agreements. In addition, the 118,858 shares subject to outstanding warrants

and the 10,912,336 shares subject to outstanding options and reserved for future issuance under our stock option and purchase plans will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements and Rules 144 and 701 under the Securities Act. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline. See "Shares Eligible for Future Sale" for more information regarding shares of our common stock that existing stockholders may sell after this offering.

If the initial public offering price is less than $11.00 per share, the conversion ratio of the shares of our Series F preferred stock and Series G preferred stock will be adjusted according to a defined formula.

If the initial public offering price is less than $11.00 per share in this offering, the conversion ratio of the shares of our Series F preferred stock and Series G preferred stock will be adjusted according to a defined formula. As a result of that adjustment, each share of Series F preferred stock and Series G preferred stock would convert upon the closing of this offering into more than one share of common stock. The number of shares of common stock into which each share of Series F preferred stock and Series G preferred stock would convert upon the closing of this offering would increase as the price per share at which we sell common stock below $11.00 per share in this offering decreases. The number of shares of common stock to be outstanding after this offering assumes the initial public offering price is $10.00 per share based upon the midpoint of the filing range; therefore, if the initial public offering price is below $10.00 per share, the number of shares of common stock to be outstanding after this offering would increase and you would suffer additional dilution. For instance, all 23,002,626 of our outstanding shares of preferred stock would convert upon the closing of this offering into 23,047,274 shares of our common stock if the initial public offering price is $10.00 per share and 23,063,931 shares of our common stock if the initial public offering price is $9.00 per share.

If you purchase shares of our common stock through our directed share program, the trading price of our common stock could decline significantly before you may sell those shares.

If employees purchase shares of our common stock through the directed share program, they will be prohibited from selling those shares until 180 days following the date of this prospectus. It is possible that the trading price of our common stock could decline significantly between the date our employees purchase shares through the directed share program and the date that they can sell them. As a result, upon the expiration of the 180-day lock-up period, these employees might not be able to sell their shares at or above the initial public offering price. Accordingly, our employees who participate in the directed share program could lose a substantial portion of their investment.

You will experience immediate and substantial dilution in the net tangible book value of the shares you purchase in this offering.

The initial public offering price of our common stock will be substantially higher than the book value per share of the outstanding common stock after this offering. Therefore, based on an assumed initial public offering price of $10.00 per share, if you purchase our common stock in this offering, you will suffer immediate and substantial dilution of approximately $6.66 per share. If the underwriters exercise their over-allotment option, or if outstanding options and warrants to purchase our common stock are exercised, you will experience additional dilution.

Provisions of our certificate of incorporation and bylaws or Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Delaware corporate law and our certificate of incorporation and bylaws contain provisions that could discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions:

- establish a classified board of directors so that not all members of our board are elected at one time;
- provide that directors may only be removed "for cause" and only with the approval of 66 2/3% of our stockholders;

- require super-majority voting to amend some provisions in our certificate of incorporation and bylaws;
- authorize the issuance of "blank check" preferred stock that our board could issue to increase the number of outstanding shares and to discourage a takeover attempt;
- limit the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control of our company.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements under the captions “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” and in other sections of this prospectus that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “could,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative or plural of these words and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, include, among other things, our anticipated growth strategies and anticipated trends in our business and the markets in which we operate. These statements are only predictions based on our current expectations and projections about future events. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including those factors discussed under the caption entitled “Risk Factors.” You should specifically consider the numerous risks outlined under “Risk Factors.”

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement on Form S-1, of which this prospectus is a part, that we have filed with the Securities and Exchange Commission, completely and with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from this offering will be approximately $45.9 million, at an assumed initial public offering price of $10.00 per share, after deducting estimated underwriting discounts and commissions and estimated offering costs. If the underwriters exercise their over-allotment option in full, we estimate that our net proceeds will be approximately $53.6 million. The selling stockholders will receive aggregate net proceeds of approximately $3.7 million. The selling stockholders intend to use the net proceeds to them from the sale of shares of common stock to repay the outstanding principal of and unpaid accrued interest on loans from us and to pay the related tax liability. As a result, we will receive approximately $2.7 million of the aggregate net proceeds from the sale of common stock by the selling stockholders.

The principal purposes of this offering are to obtain additional capital, establish a public market for our common stock and facilitate our future access to public capital markets. We intend to use the net proceeds to us from this offering for general corporate purposes and working capital requirements. We may use a portion of the net proceeds to us for leasehold improvements at our new corporate headquarters and manufacturing facility, which improvements we expect will total approximately $25.0 million through the third quarter of 2004. We may also use a portion of the net proceeds to us to fund possible investments in, or acquisitions of, complementary businesses, products or technologies or establishing joint ventures. We have no current agreements or commitments with respect to any investment, acquisition or joint venture, and we currently are not engaged in negotiations with respect to any investment, acquisition or joint venture. Pending their ultimate use, we intend to invest the net proceeds to us from this offering in short-term, interest-bearing, investment grade securities.

The amount and timing of what we actually spend for these purposes may vary significantly and will depend on a number of factors, including our future revenue and cash generated by operations and the other factors described in “Risk Factors.” Therefore, we will have broad discretion in the way we use the net proceeds to us.

DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock. We currently expect to retain all available funds and any future earnings for use in the operation and development of our business. Accordingly, we do not anticipate declaring or paying cash dividends on our common stock in the foreseeable future. In addition, the terms of our loan and security agreement prohibit us from paying cash dividends without the prior consent of the bank.

CAPITALIZATION

The following table shows our capitalization as of March 29, 2003. Our capitalization is presented (1) on an actual basis, (2) on a pro forma basis to reflect the automatic conversion of all 23,002,626 of our outstanding shares of preferred stock into 23,047,274 shares of our common stock upon the closing of this offering and a charge of $446,480 to stockholders' deficit to account for the deemed dividend from the beneficial conversion feature that results from the issuance of these additional shares of common stock and (3) on a pro forma as adjusted basis to reflect the sale of 5,500,000 shares of our common stock offered by us and the selling stockholders at an assumed initial public offering price of $10.00 per share, after deducting estimated underwriting discounts and commissions and estimated offering costs payable by us and the application of the net proceeds by the selling stockholders as described in the use of proceeds. This capitalization table should be read together with "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	March 29, 2003		
	Actual	Pro Forma	Pro Forma As Adjusted
		(unaudited) (in thousands, except share and per share data)	
Long-term obligations, less current portion	$ 500	$ 500	$ 500
Redeemable convertible preferred stock, $.001 par value; 23,126,983 shares authorized, 23,002,626 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	64,895	—	—
Redeemable convertible preferred stock warrants	306	—	—
Stockholders' equity (deficit):			
Preferred stock $.001 par value; 10,000,000 shares authorized, none issued or outstanding, actual; 10,000,000 shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—	—	—
Common stock, $.001 par value; 250,000,000 shares authorized, 4,705,058 shares issued and outstanding, actual; 250,000,000 shares authorized, 27,752,332 shares issued and outstanding, pro forma; and 250,000,000 shares authorized, 32,912,970 shares issued and outstanding, pro forma as adjusted	5	28	33
Additional paid-in capital	20,193	85,817	131,710
Notes receivable from stockholders	(3,437)	(3,437)	(784)
Deferred stock-based compensation, net	(12,023)	(12,023)	(12,023)
Accumulated other comprehensive loss	(10)	(10)	(10)
Accumulated deficit	(8,666)	(9,112)	(9,112)
Total stockholders' equity (deficit)	(3,938)	61,263	109,814
Total capitalization	$ 61,763	$ 61,763	$110,314

The number of shares of our common stock shown as issued and outstanding in the table above excludes:

- 5,675,028 shares of common stock issuable upon exercise of options outstanding at March 29, 2003 with a weighted average exercise price of $5.65 per share, which includes 55,333 shares of common stock subject to options to be exercised by three selling stockholders in this offering;
- 72,727 shares of common stock issuable upon exercise of warrants for our Series B preferred stock outstanding at March 29, 2003 with an exercise price of $1.65 per share and 46,131 shares of common stock issuable upon exercise of a warrant for our Series F preferred stock outstanding at March 29, 2003 with an exercise price of $10.85 per share;
- 3,237,308 shares of common stock available for issuance under our stock option plans at March 29, 2003; and
- 500,000 shares of common stock to be available for issuance under our stock option plan effective upon the completion of this offering and 1,500,000 shares of common stock to be available for issuance under our employee stock purchase plan effective upon the completion of this offering.

DILUTION

Our pro forma net tangible book value as of March 29, 2003 was approximately $61.3 million, or $2.21 per share of our common stock. Our pro forma net tangible book value per share represents our total tangible assets less total liabilities divided by the number of shares of our common stock outstanding on March 29, 2003 and assumes the automatic conversion of all 23,002,626 of our outstanding shares of preferred stock into 23,047,274 shares of our common stock upon the closing of this offering.

Without taking into account any changes in pro forma net tangible book value after March 29, 2003, other than to give effect to the sale of 5,105,305 shares of our common stock offered by us at an initial public offering price of $10.00 per share, after deducting estimated underwriting discounts and commissions and estimated offering costs payable by us and the application of the net proceeds by the selling stockholders as described in the use of proceeds, our pro forma net tangible book value as of March 29, 2003 would have been approximately $109.9 million, or $3.34 per share of our common stock. This amount represents an immediate increase in pro forma net tangible book value of $1.13 per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of $6.66 per share to new investors purchasing shares in this offering. The following table illustrates the dilution in pro forma net tangible book value per share to new investors.

Assumed initial public offering price per share		$10.00
Pro forma net tangible book value per share as of March 29, 2003	$2.21	
Increase per share attributable to new investors	1.13	
Pro forma net tangible book value per share after this offering		3.34
Dilution in pro forma net tangible book value per share to new investors		$ 6.66

If all of the outstanding options and warrants were exercised, the pro forma net tangible book value as of March 29, 2003 would have been $142.4 million and the pro forma net tangible book value after this offering would have been $3.68 per share, causing dilution to new investors of $6.32 per share.

The following table summarizes, as of March 29, 2003 on the pro forma basis described above, the number of shares of our common stock purchased from us, the total consideration paid to us, and the average price per share paid to us by existing stockholders and to be paid by new investors purchasing shares of our common stock in this offering at an assumed initial public offering price of $10.00 per share, before deducting estimated underwriting discounts and commissions and estimated offering costs payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	27,752,332	84.5%	$ 72,517,433	58.7%	$ 2.61
New investors	5,105,305	15.5	51,053,205	41.3	10.00
Total	32,857,637	100.0%	$123,570,483	100.0%	

The above information excludes:

- 5,675,028 shares of common stock issuable upon exercise of options outstanding at March 29, 2003 with a weighted average exercise price of $5.65 per share, which includes 55,333 shares of common stock subject to options to be exercised by three selling stockholders in this offering;
- 72,727 shares of common stock issuable upon exercise of warrants for our Series B preferred stock outstanding at March 29, 2003 with an exercise price of $1.65 per share and 46,131 shares of common stock issuable upon exercise of a warrant for our Series F preferred stock outstanding at March 29, 2003 with an exercise price of $10.85 per share;
- 3,237,308 shares of common stock available for issuance under our stock option plans at March 29, 2003; and
- 500,000 shares of common stock to be available for issuance under our stock option plan effective upon the completion of this offering and 1,500,000 shares of common stock to be available for issuance under our employee stock purchase plan effective upon the completion of this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes appearing elsewhere in this prospectus. The consolidated statement of operations data for the fiscal years ended December 30, 2000, December 29, 2001 and December 28, 2002, and the consolidated balance sheet data as of December 29, 2001 and December 28, 2002, are derived from our audited consolidated financial statements appearing elsewhere in this prospectus. The consolidated statement of operations data for the fiscal years ended December 26, 1998 and December 25, 1999 and the consolidated balance sheet data as of December 26, 1998, December 25, 1999 and December 30, 2000, are derived from our audited consolidated financial statements that are not included in this prospectus. The consolidated statement of operations data for the three months ended March 30, 2002 and March 29, 2003, and the consolidated balance sheet data as of March 29, 2003, are derived from our unaudited consolidated financial statements appearing elsewhere in this prospectus. We have prepared the unaudited information on the same basis as the audited consolidated financial statements and have included, in our opinion, all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in those statements. The historical results are not necessarily indicative of the results to be expected in any future period.

	Fiscal Year Ended					Three Months Ended	
	Dec. 26, 1998	Dec. 25, 1999	Dec. 30, 2000	Dec. 29, 2001	Dec. 28, 2002	Mar. 30, 2002	Mar. 29, 2003
						(unaudited)	
	(in thousands, except per share data)						
Consolidated Statement of Operations Data:							
Revenues	$19,329	$35,722	$56,406	$73,433	$78,684	$17,288	$18,669
Cost of revenues	10,763	20,420	28,243	38,385	39,456	8,859	9,800
Gross margin	8,566	15,302	28,163	35,048	39,228	8,429	8,869
Operating expenses:							
Research and development	7,486	9,466	11,995	14,619	14,592	3,249	3,525
Selling, general and administrative	7,212	11,020	15,434	18,500	17,005	3,992	4,013
Stock-based compensation	—	341	259	469	1,039	165	333
Restructuring charges	—	—	—	1,380	—	—	—
Total operating expenses	14,698	20,827	27,688	34,968	32,636	7,406	7,871
Operating income (loss)	(6,132)	(5,525)	475	80	6,592	1,023	998
Interest and other income (expense), net	157	(119)	1,719	477	642	155	129
Income (loss) before income taxes	(5,975)	(5,644)	2,194	557	7,234	1,178	1,127
Benefit (provision) for income taxes	—	—	(115)	(307)	3,125	(332)	(428)
Net income (loss)	$ (5,975)	$ (5,644)	$ 2,079	$ 250	$10,359	$ 846	$ 699
Net income (loss) per share:							
Basic	$ (3.60)	$ (2.16)	$ .61	$ .06	$ 2.33	$ .19	$ .15
Diluted	$ (3.60)	$ (2.16)	$ .08	$ .01	$ .35	$ .03	$ .02
Weighted-average number of shares used in per share calculations:							
Basic	1,659	2,609	3,408	4,029	4,448	4,391	4,539
Diluted	1,659	2,609	26,821	28,654	29,554	29,823	29,266
Pro forma net income per common share (unaudited):							
Basic					$ .36		$ .03
Diluted					$ .33		$ .02
Weighted-average number of shares used in pro forma per common share calculations (unaudited):							
Basic					27,491		27,586
Diluted					29,599		29,311

	As of					
	Dec. 26, 1998	Dec. 25, 1999	Dec. 30, 2000	Dec. 29, 2001	Dec. 28, 2002	Mar. 29, 2003
						(unaudited)
	(in thousands)					
Consolidated Balance Sheet Data:						
Cash, cash equivalents and short-term investments	$ 10,449	$ 19,248	$ 16,897	$ 27,576	$ 34,343	$ 34,846
Working capital	8,032	17,694	23,391	31,074	40,536	44,649
Total assets	22,532	38,332	47,499	62,264	77,518	74,358
Long-term debt, less current portion	2,834	2,183	521	1,167	625	500
Redeemable convertible preferred stock and warrants	27,963	47,913	55,129	65,201	65,201	65,201
Deferred stock-based compensation, net	—	(184)	(184)	(4,071)	(12,294)	(12,023)
Total stockholders' deficit	(15,889)	(21,286)	(18,586)	(17,582)	(5,037)	(3,938)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. In addition to historical consolidated financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from those anticipated by these forward-looking statements as a result of many factors, including those discussed under "Risk Factors" and elsewhere in this prospectus.

Overview

We design, develop, manufacture, sell and support precision, high performance advanced semiconductor wafer probe cards. At the core of our product offering is our proprietary MicroSpring interconnect technology. Our MicroSpring interconnect technology includes a resilient contact element manufactured at our production facilities in Livermore, California. To date, we have derived our revenues primarily from the sale of wafer probe cards incorporating our MicroSpring interconnect technology.

We were formed in 1993 and in 1995 introduced our first commercial product. During 1996, we introduced the industry's first memory wafer probe card capable of testing up to 32 devices in parallel. Our revenues increased from $1.1 million in fiscal 1995 to $78.7 million in fiscal 2002.

We work closely with our customers to design, develop and manufacture custom wafer probe cards. Each wafer probe card is a custom product that is specific to the chip design of the customer. As a result, our revenue growth is driven by both the number of new semiconductor designs and increased semiconductor production volumes.

While the majority of our sales are directly to semiconductor manufacturers, we also have significant sales to our distributor in Taiwan. Sales to our distributors were 10.0% of revenues in the three months ended March 29, 2003, 22.6% of revenues in fiscal 2002, 32.9% of revenues in fiscal 2001 and 40.6% of revenues in fiscal 2000. We sold our products in Japan to a distributor until March 31, 2002, when we began to sell directly in Japan. Currently, we have one distributor, Spirox Corporation, which serves Taiwan, Singapore and China. We also have the ability to sell our products directly to customers in that region.

Because our products serve the highly cyclical semiconductor industry, our business is subject to demand fluctuations that have resulted in significant variations of revenues, expenses and results of operations in the periods presented. Fluctuations are likely to continue in future periods. Due to a high concentration of large customers in the semiconductor industry, we believe that sales to a limited number of customers will continue to account for a substantial part of our business. We generally have limited backlog and therefore we rely upon orders that are booked and shipped in the same quarter for a majority of our revenues.

Fiscal Year. Our fiscal year ends on the last Saturday in December. The fiscal year ended December 28, 2002 had 52 weeks, the fiscal year ended December 29, 2001 had 52 weeks, and the fiscal year ended December 30, 2000 had 53 weeks.

Revenues. We derive our revenues from product sales, license and development fees and royalties. To date, wafer probe card sales have comprised substantially all of our revenues. Wafer probe card sales accounted for 99.8% of our revenues in the three months ended March 29, 2003, 99.9% of our revenues in fiscal 2002, 99.2% of our revenues in fiscal 2001 and 97.8% of our revenues in fiscal 2000. Revenues from license and development fees and royalties have historically not been significant. Increases in revenues have resulted from increased demand for our existing products, the introduction of new, more complex products and the acceptance of new applications. Revenues from our customers are subject to both quarterly and annual fluctuations due to design cycles, technology adoption rates and cyclicality of the different end markets into which our customers' products are sold. We expect that revenues from the sale of wafer probe cards will continue to account for substantially all of our revenues for the foreseeable future.

Cost of Revenues. Cost of revenues consists primarily of manufacturing materials, payroll and manufacturing-related overhead. Our manufacturing operations rely upon a limited number of suppliers to provide key components of our products, some of which are sole source. We order materials and supplies based on backlog and forecasted customer orders. Tooling and setup costs related to changing manufacturing lots at our suppliers are also included in the cost of revenues. We expense all warranty costs and inventory reserves or write-offs as cost of revenues.

We design, manufacture and sell a fully custom product into a market that has been subject to cyclicality and significant demand fluctuations. Wafer probe cards are complex products, custom to a specific chip design and have to be delivered on lead-times shorter than most manufacturers' cycle times. It is therefore common to start production and to acquire production materials ahead of the receipt of an actual purchase order. Wafer probe cards are manufactured in low volumes, therefore, material purchases are often subject to minimum purchase order quantities in excess of our actual demand. Inventory valuation adjustments for these factors are considered a normal component of cost of revenues.

Research and Development. Research and development expenses include expenses related to product development, engineering and material costs. All research and development costs are expensed as incurred. We plan to invest a significant amount in research and development activities to develop new technologies for current and new markets and new applications in the future. We expect research and development expenses to increase in absolute dollars, but to decline as a percentage of revenues.

Selling, General and Administrative. Selling, general and administrative expenses include expenses related to sales, marketing, and administrative personnel; internal and outside sales representatives' commissions, market research and consulting; and other marketing and sales activities. We expect that selling expenses will increase as revenues increase, and we expect that general and administrative expenses will increase in absolute dollars to support future operations, as well as from the additional costs of being a publicly traded company. We expect selling, general and administrative expenses to decline as a percentage of revenues.

Stock-Based Compensation. In connection with the grant of stock options to employees in fiscal 2001, 2002 and the three months ended March 29, 2003, we recorded an aggregate of $13.5 million in deferred stock-based compensation. These options are considered compensatory because the fair value of our stock determined for financial reporting purposes is greater than the fair value determined by the board of directors on the date of the grant. As of March 29, 2003, we had an aggregate of $12.0 million of deferred stock-based compensation remaining to be amortized. This deferred stock-based compensation balance will be amortized as follows: $1.0 million during the remainder of fiscal 2003; $2.3 million during fiscal 2004; $4.0 million during fiscal 2005; $3.7 million during fiscal 2006 and $1.0 million during fiscal 2007. We are amortizing the deferred stock-based compensation on a straight line basis over the vesting period of the related options, which is generally four years. For options granted to employees to date, the amount of stock-based compensation amortization actually recognized in future periods could decrease if options for which deferred but unvested compensation has been recorded are forfeited.

Provision for Income Taxes. As of December 28, 2002, we had state net operating loss carryforwards of approximately $825,000. The state net operating loss carryforwards will expire at various dates from 2006 through 2013. We also had research and development tax credit carryforwards of approximately $742,000 and $836,000 for federal and state income tax purposes, respectively. The federal research and development tax credit carryforward will expire at various dates from 2019 through 2022. The state research credit can be carried forward indefinitely. In the third quarter of fiscal 2002, we released our valuation allowance recorded against our deferred tax assets because we believe that it is more likely than not that our deferred tax assets will be realized.

Under the Internal Revenue Code, as amended, and similar state provisions, certain substantial changes in our ownership could result in an annual limitation on the amount of net operating loss and credit carryforwards that can be utilized in future years to offset future taxable income. Annual limitations may result in the expiration of net operating loss and credit carryforwards before they are used.

Use of Estimates. Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles

generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to uncollectible receivables, inventories, investments, intangible assets, income taxes, financing operations, warranty obligations, excess component and order cancellation costs, restructuring, and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. For excess component costs, the estimates are dependent on our expected use of such components and the size of the minimum order quantity imposed by the vendor in relation to our inventory requirements. Because this can vary in each situation, actual results may differ from these estimates under different assumptions or conditions.

Results of Operations

The following table presents our historical operating results for the periods indicated as a percentage of revenues:

	Fiscal Year Ended			Three Months Ended	
	Dec. 30, 2000	Dec. 29, 2001	Dec. 28, 2002	Mar. 30, 2002	Mar. 29, 2003
				(unaudited)	
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues	50.1	52.3	50.1	51.2	52.5
Gross margin	49.9	47.7	49.9	48.8	47.5
Operating expenses:					
Research and development	21.3	19.9	18.6	18.8	18.9
Selling, general and administrative	27.4	25.2	21.6	23.1	21.5
Stock-based compensation	0.4	0.6	1.3	1.0	1.8
Restructuring charges	—	1.9	—	—	—
Total operating expenses	49.1	47.6	41.5	42.9	42.2
Operating income	0.8	0.1	8.4	5.9	5.3
Interest and other income, net	3.1	0.6	0.8	0.9	0.7
Income before income taxes	3.9	0.7	9.2	6.8	6.0
Benefit (provision) for income taxes	(0.2)	(0.4)	4.0	(1.9)	(2.3)
Net income	3.7%	0.3%	13.2%	4.9%	3.7%

Three Months Ended March 29, 2003 and March 30, 2002

Revenues. Revenues for the three months ended March 29, 2003 were $18.7 million compared with $17.3 million for the three months ended March 30, 2002, an increase of $1.4 million, or 8.0%. The $1.4 million increase was due primarily to an increase of $1.5 million in revenues from manufacturers of flash memory devices and an increase of $948,000 in revenues from a manufacturer of chipsets, offset in part by a reduction of $492,000 in revenues generated from sales to microprocessor manufacturers and by a reduction of $515,000 in revenues from sales to DRAM manufacturers.

The majority of revenues for the three months ended March 29, 2003 were generated by sales of wafer probe cards to manufacturers of DRAM devices, consistent with sales for the three months ended March 30, 2002. The decrease in revenues from DRAM manufacturers was due primarily to an overall decreased demand for SDRAM devices, offset in part by an increase in revenues for double data rate, or DDR, based DRAM devices. SDRAM based revenues declined by $4.4 million, while DDR based revenues increased by $3.4 million.

The increase in our revenues in the flash memory market for the three months ended March 29, 2003 compared to the three months ended March 30, 2002 was due primarily to increased design wins at manufacturers of flash memory devices. Revenues generated from sales to flash memory device manufacturers were $3.2 million for the three months ended March 29, 2003 compared to $1.2 million for the three months ended March 30, 2002.

Our existing relationship with a microprocessor manufacturer enabled us to win more designs for chipsets, for the three months ended March 29, 2003 compared to the three months ended March 30, 2002. Revenues generated from sales to chipset manufacturers were approximately $1.7 million for the three months ended March 29, 2003 compared to $765,000 for the three months ended March 30, 2002.

Revenues by geographic region in the three months ended March 29, 2003 as a percentage of revenues were 52.4% in North America, 8.6% in Europe, 23.8% in Asia Pacific and 15.2% in Japan. Revenues by geographical region in the three months ended March 30, 2002 as a percentage of revenues were 66.4% in North America, 15.8% in Europe, 12.9% in Asia Pacific and 4.9% in Japan. The increase in the percentage of revenues in Asia Pacific and Japan was primarily due to increased sales to our distributor and increased sales of large area array product to manufacturers of DRAM devices in Japan. The decrease in percentage of revenues in North America and Europe was due primarily to decreased sales of SDRAM devices.

The following customers accounted for 10% or more of our revenues in the first three months of fiscal 2003 or fiscal 2002:

	Three Months Ended	
	Mar. 30, 2002	Mar. 29, 2003
Intel Corporation	30.1%	38.0%
Spirox Corporation	12.8	18.7
Infineon Technologies AG	21.7	10.0
Micron Technologies Inc.	17.7	*

* Less than 10% of revenues.

Revenues from our largest customer during the three months ended March 29, 2003 increased due to stronger demand for chipset and flash memory wafer probe products. We experienced an increase in revenues from our distributor in Asia as a result of increased demand of DRAM wafer probe cards primarily in Taiwan. We experienced a decline in DRAM wafer probe card revenues from both Infineon Technologies AG and Micron Technologies Inc. The decline in revenues was due to an overall decreased demand for SDRAM devices.

Gross Margin. Gross margin as a percentage of revenues was 47.5% for the three months ended March 29, 2003 compared with 48.8% for the three months ended March 30, 2002. The decrease in gross margin percentage was primarily due to increased investment in quality systems, processes and procedures and the cost of increased capacity, partially offset by continued reductions in the cost of materials and a favorable product mix. Gross margin in absolute dollars and as a percentage of revenues will be subject to fluctuations as we continue to introduce new technologies into our manufacturing processes and to experience cyclicality in our end markets. We expect to continue to invest in new infrastructure, increasing fixed costs, which could have a material adverse impact on our gross margin. We anticipate that increased competition will also continue to impact our pricing, particularly in our lower complexity products sold to certain customers, and negatively impact our gross margin. We will continue to implement cost reduction programs as well as focus our investments on new products, which tend to have higher margins.

Research and Development. Research and development expenses increased to $3.5 million, or 18.9% of revenues, for the three months ended March 29, 2003 compared to $3.2 million, or 18.8% of revenues, for the three months ended March 30, 2002. Personnel costs for the first three months of 2003 increased by approximately $270,000 from the same period in 2002. Through the three month period ended March 29, 2003, we continued our development of fine pitch memory and logic products, advanced microspring interconnect technology and new manufacturing process technologies.

Selling, General and Administrative. Selling, general and administrative expenses were $4.0 million for the three months ended March 29, 2003 and for the three months ended March 30, 2002. Selling, general and administrative expenses as a percentage of net sales were 21.5% and 23.1% for the three months ended March 29, 2003 and for the three months ended March 30, 2002, respectively.

Interest and Other Income (Expense), Net. Interest and other income (expense), net for the three months ended March 29, 2003 was $129,000 compared with $155,000 for the three months ended March 30, 2002 reflecting lower interest income primarily due to lower average interest rates.

Benefit (Provision) for Income Taxes. Provision for income taxes was $428,000 for the three months ended March 29, 2003 compared to $332,000 for the three months ended March 30, 2002. The lower effective tax rate for 2002 is primarily due to various credits, notably research and development credits, being a larger component of taxable income.

Fiscal Years Ended December 28, 2002 and December 29, 2001

Revenues. Revenues were $78.7 million for fiscal 2002 compared with $73.4 million for fiscal 2001, an increase of 7.2%. The $5.3 million increase was due primarily to an increase of $3.7 million in revenues from manufacturers of flash memory devices and an increase of $3.5 million in revenues from a manufacturer of chipsets, offset in part by a reduction of $1.6 million in revenues from DRAM manufacturers.

In fiscal 2001, we introduced our wafer probe cards to manufacturers of flash memory devices. The design wins and penetration at these customers, combined with increased demand for dense flash devices, generated the increased flash memory device related revenues in fiscal 2002.

The industry trend of faster and smaller devices resulting in increased power handling requirements has caused large scale integrated logic devices to migrate from wirebond-based package technologies to flip chip packaging. Our capabilities in flip chip microprocessor wafer probe cards enabled us to qualify and sell our wafer probe cards for chipset device probing applications, such as memory controller integrated circuits, in fiscal 2002. We generated minimal revenue from sales to chipset device manufacturers in fiscal 2001.

Consistent with fiscal 2001, the majority of fiscal 2002 revenues were generated by sales of wafer probe cards to manufacturers of DRAM devices. The decrease in revenues from DRAM manufacturers in fiscal 2002 was due primarily to reduced design activity and weaker bit growth. In addition, sales of Rambus DRAM, or RDRAM, wafer probe cards declined in fiscal 2002 compared to fiscal 2001. During the first two quarters of fiscal 2001, parts of the semiconductor industry adopted RDRAM architecture-based memory devices for higher speed applications. This adoption drove increased design activity and demand for wafer probe cards. During the second half of fiscal 2001, demand for Rambus-based chipsets and RDRAM devices decreased, a trend that persisted through fiscal 2002. This resulted in declining overall sales due to a significant decline in demand for RDRAM wafer probe cards. For fiscal 2002, our sales of RDRAM wafer probe cards decreased by $8.7 million compared to fiscal 2001 while sales of other DRAM wafer probe cards increased by $7.1 million. The increase in our other DRAM wafer probe card revenues was primarily the result of increased sales of our DRAM large area array wafer probe cards and the industry’s conversion to DDR based DRAM devices in the second half of fiscal 2002.

Revenues by geographic region for fiscal 2002 as a percentage of total revenues were 55.6% in North America, 15.5% in Europe, 21.8% in Asia Pacific and 7.1% in Japan. Revenues by geographical region for fiscal 2001 as a percentage of total revenues were 52.7% in North America, 13.8% in Europe, 26.6% in Asia Pacific and 6.9% in Japan. The increase in the percentage of revenues in North America was due primarily to increased sales to a manufacturer of flash memory and chipset devices. The decrease in percentage of revenues in Asia Pacific was due primarily to decreased sales to our distributor of DRAM wafer probe cards.

The following customers accounted for 10% or more of our revenues in fiscal 2001 or fiscal 2002:

	Fiscal 2001	Fiscal 2002
Intel Corporation	12.4%	26.9%
Spirox Corporation	26.4	20.9
Infineon Technologies AG	16.1	20.1
Samsung Electronics Industries Co., Ltd.	20.2	*

* Less than 10% of revenues.

The increase in revenues from certain of these customers for fiscal 2002 resulted from increased sales of microprocessor and flash memory wafer probe cards to one of these customers and increased sales of large area array DRAM devices to another one of these customers. In fiscal 2002, sales to certain customers were negatively impacted by an overall decreased demand for DRAM wafer probe cards.

Gross Margin. Gross margin as a percentage of revenues was 49.9% for fiscal 2002 compared with 47.7% for fiscal 2001. The increase in gross margin percentage was primarily due to cost reduction actions associated with our restructuring in the third quarter of fiscal 2001, continued reductions in the cost of materials, and shipments of high complexity products incorporating newer technology. These benefits were partially offset by a generally less favorable pricing environment due to the overall decline in demand. We also experienced an increase in warranty expenses caused primarily by an increase in field failures at one of our customers. Gross margin in absolute dollars and as a percentage of revenues will be subject to fluctuations as we continue to introduce new technologies into our manufacturing processes and to experience cyclicality in our end markets. We expect to continue to invest in new infrastructure, increasing fixed costs, which could have a material adverse impact on our gross margin. We anticipate that increased competition will also continue to impact our pricing, particularly in our lower complexity products sold to certain customers, and as a result, negatively impact our gross margin.

Research and Development. Research and development expenses remained flat at $14.6 million, equivalent to 18.6% of revenues for fiscal 2002 compared to 19.9% of revenues for fiscal 2001. Personnel costs for fiscal 2002 increased by approximately $230,000 from fiscal 2001 and were partially offset by a reduction of approximately $175,000 for development program materials and related costs. During the first half of fiscal 2001, we completed the development of our MicroSpring Contact on Silicon Technology, or MOST technology. During the second half of fiscal 2001, we reduced spending while focusing our research and development efforts on developing wafer probe card products. Through fiscal 2002, we continued our development of new large area array memory products and fine pitch logic products.

Selling, General and Administrative. Selling, general and administrative expenses decreased to $17.0 million, or 21.6% of revenues, for fiscal 2002 compared to $18.5 million, or 25.2% of revenues, for fiscal 2001. The decrease was due primarily to a reduction of approximately $611,000 in personnel and recruiting costs and a reduction of approximately $752,000 in advertising, tradeshow and travel related expenses resulting from cost reduction actions taken in the second half of fiscal 2001. We expect selling, general and administrative expenses to increase in the future, however, we expect these expenses to decline as a percentage of revenues.

Restructuring Charges. During the third quarter of fiscal 2001, we recorded a restructuring charge of $1.4 million. We implemented the restructuring plan to better align our infrastructure with the market conditions in the semiconductor industry and to further focus the company on the wafer probe card business. The restructuring charge consisted of $880,000 for headcount reductions covering 14 employees in research and development, 23 employees in operations and 17 employees in selling, general and administrative. The majority of the affected employees were based in Livermore, California. Further, we recorded charges of $223,000 for the consolidation of excess facilities and $277,000 for asset write-offs, primarily for property and equipment. The consolidation of excess facilities included the closure of certain corporate facilities that had been vacated. The charge of $223,000 primarily related to lease termination and noncancelable lease costs. The charge of $277,000 primarily related to the disposal of property and equipment, which primarily consisted of leasehold improvements for the excess facilities. As of December 28, 2002, the restructuring plan had been fully executed.

Interest and Other Income, Net. Interest and other income, net for fiscal 2002 was $642,000 compared to $477,000 for fiscal 2001, reflecting lower currency losses from the revaluation and translation of certain receivables and assets denominated in foreign currencies.

Benefit (Provision) for Income Taxes. We recorded a benefit for income taxes for fiscal 2002 of $3.1 million compared to the provision of $307,000 for fiscal 2001. The benefit resulted from the release of the valuation allowance recorded against deferred tax assets, partially offset by the provision for income taxes on pre-tax profits. The valuation allowance was released because we believe that it is more likely than not that the deferred tax assets will be realized.

Fiscal Years Ended December 29, 2001 and December 30, 2000

Revenues. Revenues were $73.4 million for fiscal 2001 compared with $56.4 million for fiscal 2000, an increase of 30.2%. The increase was due to strong demand for our wafer probe cards used to test DRAM and flash memory devices. The increase in revenues reflected an increase in unit shipments, which was partially offset by a decline in average selling prices.

The increase of DRAM production, in particular RDRAM, at some of our customers impacted revenue growth favorably through the first six months of fiscal 2001. Revenues for this period also benefited from the introduction of our large area array products that enable a higher level of parallelism for test of memory devices. During fiscal 2001, we introduced our products to manufacturers of flash memory, which also contributed to our revenue growth.

During the second six months of fiscal 2001, our revenues declined compared to the first six months of fiscal 2001 as DRAM manufacturers experienced significant price declines for their products. This decline adversely impacted both the volume and pricing of our products. The effects of this decline were offset in part by increased demand for our products due primarily to technological innovations in the semiconductor industry, such as the migration toward smaller feature sizes of ..15 micron and below.

Revenues by geographic region in fiscal 2001 as a percentage of total revenues were 52.7% in North America, 13.8% in Europe, 26.6% in Asia Pacific and 6.9% in Japan. Revenues by geographic region in fiscal 2000 as a percentage of total revenues were 42.0% in North America, 16.4% in Europe, 33.4% in Asia Pacific and 8.2% in Japan. The year-to-year increase in revenues in North America was primarily due to the increased sales of RDRAMs by one of our major customers.

The following customers accounted for 10% or more of our revenues in fiscal 2000 or fiscal 2001:

	Fiscal 2000	Fiscal 2001
Spirox Corporation	25.4%	26.4%
Samsung Electronics Industries Co., Ltd.	*	20.2
Infineon Technologies AG	21.3	16.1
Intel Corporation	16.5	12.4

* Less than 10% of revenues.

Revenues to our largest customers during fiscal 2001 increased due to the ramp of RDRAM wafer probe products and the continued penetration of new end customers by our distributor Spirox. Revenue percentages declined for some of our customers due to our overall increased revenues during fiscal 2001, while revenues in absolute dollars to such customers remained flat.

Gross Margin. Gross margin as a percentage of revenues was 47.7% for fiscal 2001 compared with 49.9% for fiscal 2000. The decline in gross margin percentage was due to the overall industry downturn in the second half of fiscal 2001, resulting in increased pricing pressure and reduced unit volumes. Furthermore, we continued to incur start-up costs from the transition to a new manufacturing process for our next generation MicroSpring technology, which added new shapes and/or materials for our MicroSpring contacts and increased the amount of wafer fabrication-based processing, during the first six months of fiscal 2001. The start-up costs related to increased materials spending from pre-production lots, as well as reduced yields during the process ramp. Cost of

revenues increased in fiscal 2001 due to continued investments in our manufacturing infrastructure, primarily increased personnel expenses, which impacted our gross margin unfavorably.

Research and Development. Research and development expenses increased to $14.6 million, or 19.9% of revenues, for fiscal 2001 from $12.0 million, or 21.3% of revenues, for fiscal 2000. Of this increase, approximately $1.6 million was due to increases in headcount and approximately $480,000 was due to increased spending on engineering materials. This increased investment resulted in the development of large area array products and process technologies to enhance the manufacturability of various products. We also increased our investment in design capability to address a growing business in Asian markets.

Selling, General and Administrative. Selling, general and administrative expenses increased to $18.5 million, or 25.2% of revenues, for fiscal 2001 from $15.4 million, or 27.4% of revenues, for fiscal 2000. The increase was due to hiring additional personnel in sales, field applications and administrative capacities as well as increases in commissions due to increased revenues.

Restructuring Charges. During the third quarter of fiscal 2001, we recorded a restructuring charge of $1.4 million. We implemented the restructuring plan to better align our infrastructure with the market conditions in the semiconductor industry and to further focus the company on the wafer probe card business. The restructuring charge consisted of $880,000 for headcount reductions covering 14 employees in research and development, 23 employees in operations and 17 employees in selling, general and administrative. The majority of the affected employees were based in Livermore, California. Further, we recorded $223,000 for the consolidation of excess facilities and $277,000 for asset write-offs, primarily for property and equipment. The consolidation of excess facilities included the closure of certain corporate facilities that had been vacated. The charge of $223,000 primarily related to lease termination and noncancelable lease costs. Property and equipment that was disposed of resulted in a charge of $277,000 and primarily consisted of leasehold improvements for the excess facilities. As a result of our restructuring plan, we expect an annual reduction of employee related costs of $3.9 million and facility and related expenses of $266,000. As of December 29, 2001, $441,000 of the $1.4 million restructuring charge remained accrued, primarily relating to ongoing scheduled severance payments and pending lease contract cancellations being executed under the restructuring plan. We substantially completed these restructuring payment obligations as of the end of the third quarter of fiscal 2002.

Interest and Other Income, Net. Interest and other income, net for fiscal 2001 was $477,000 compared with $1.7 million for fiscal 2000. The difference was due to non-recurring other income of $1.3 million recorded in fiscal 2000 from the settlement of a claim against a licensee for an alleged breach of a license agreement.

Provision for Income Taxes. Provision for income taxes was $307,000 for fiscal 2001 compared with $115,000 for fiscal 2000. This increase represented the estimated tax liability for fiscal 2001 arising from both alternative minimum tax and income tax. As of December 29, 2001, our deferred tax asset was $9.1 million, representing prior years' operating loss carry forwards and unutilized tax credits, and had been reduced in full by a valuation allowance.

Quarterly Results of Operations

The following table presents our unaudited quarterly results of operations for the thirteen quarters in the period ended March 29, 2003. You should read the following table in conjunction with the consolidated financial statements and related notes contained elsewhere in this prospectus. We have prepared the unaudited information on the same basis as our audited consolidated financial statements. This table includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the quarters presented. Operating results for any quarter are not necessarily indicative of results for any future quarters or for a full year.

	Three Months Ended												
	April 1, 2000	July 1, 2000	Sept. 30, 2000	Dec. 30, 2000	Mar. 31, 2001	June 30, 2001	Sept. 29, 2001	Dec. 29, 2001	Mar. 30, 2002	June 29, 2002	Sept. 28, 2002	Dec. 28, 2002	Mar. 29, 2003
							(unaudited) (in thousands)						
Revenues	$10,313	$13,028	$15,842	$17,223	$19,849	$21,507	$16,021	$16,056	$17,288	$18,510	$20,729	$22,157	$18,669
Cost of revenues	5,198	6,159	7,808	9,078	10,410	11,269	8,477	8,229	8,859	9,422	10,259	10,916	9,800
Gross margin	5,115	6,869	8,034	8,145	9,439	10,238	7,544	7,827	8,429	9,088	10,470	11,241	8,869
Operating expenses:													
Research and development	2,516	2,699	3,247	3,533	4,073	4,323	3,054	3,169	3,249	3,579	3,828	3,936	3,525
Selling, general and administrative	2,904	3,500	4,431	4,599	4,730	5,230	4,344	4,196	3,992	4,172	4,265	4,576	4,013
Stock-based compensation	67	68	63	61	58	102	103	206	165	302	283	289	333
Restructuring charges	—	—	—	—	—	—	1,380	—	—	—	—	—	—
Total operating expenses	5,487	6,267	7,741	8,193	8,861	9,655	8,881	7,571	7,406	8,053	8,376	8,801	7,871
Operating income (loss)	(372)	602	293	(48)	578	583	(1,337)	256	1,023	1,035	2,094	2,440	998
Interest and other income (expense), net	1,354	55	157	153	(74)	94	229	228	155	164	85	238	129
Income (loss) before income taxes	982	657	450	105	504	677	(1,108)	484	1,178	1,199	2,179	2,678	1,127
Benefit (provision) for income taxes	(51)	(34)	(24)	(6)	(207)	(291)	426	(235)	(332)	(485)	5,031	(1,089)	(428)
Net income (loss)	$ 931	$ 623	$ 426	$ 99	$ 297	$ 386	$ (682)	$ 249	$ 846	$ 714	$ 7,210	$ 1,589	$ 699
Net income (loss) per share:													
Basic	$ .29	$ .19	$ .12	$ .03	$ .08	$ .10	$ (.16)	$ .06	$ .19	$ .16	$ 1.61	$ .35	$ .15
Diluted	$ .03	$ .02	$ .02	$ —	$ .01	$ .01	$ (.16)	$ .01	$ .03	$ .02	$ .24	$ .05	$ .02
Weighted-average number of shares used in per share calculations:													
Basic	3,181	3,337	3,497	3,611	3,790	3,941	4,137	4,248	4,391	4,438	4,478	4,529	4,539
Diluted	26,656	26,582	27,293	27,636	27,924	28,353	4,137	29,038	29,823	29,535	29,575	29,227	29,266

The following table presents our historical results for the periods indicated as a percentage of revenues:

	Three Months Ended												
	April 1, 2000	July 1, 2000	Sept. 30, 2000	Dec. 30, 2000	Mar. 31, 2001	June 30, 2001	Sept. 29, 2001	Dec. 29, 2001	Mar. 30, 2002	June 29, 2002	Sept. 28, 2002	Dec. 28, 2002	Mar. 29, 2003
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues	50.4	47.3	49.3	52.7	52.4	52.4	52.9	51.3	51.2	50.9	49.5	49.3	52.5
Gross margin	49.6	52.7	50.7	47.3	47.6	47.6	47.1	48.7	48.8	49.1	50.5	50.7	47.5
Operating expenses:													
Research and development	24.4	20.7	20.5	20.5	20.5	20.1	19.1	19.7	18.8	19.3	18.5	17.8	18.9
Selling, general and administrative	28.2	26.9	28.0	26.7	23.9	24.3	27.1	26.1	23.1	22.6	20.6	20.6	21.5
Stock-based compensation	0.6	0.5	0.4	0.4	0.3	0.5	0.6	1.3	1.0	1.6	1.3	1.2	1.8
Restructuring charges	—	—	—	—	—	—	8.6	—	—	—	—	—	—
Total operating expenses	53.2	48.1	48.9	47.6	44.7	44.9	55.4	47.1	42.9	43.5	40.4	39.6	42.2
Operating income (loss)	(3.6)	4.6	1.8	(0.3)	2.9	2.7	(8.3)	1.6	5.9	5.6	10.1	11.1	5.3
Interest and other income (expense), net	13.1	0.4	1.0	0.9	(0.4)	0.4	1.4	1.4	0.9	0.9	0.4	1.0	0.7
Income (loss) before income taxes	9.5	5.0	2.8	0.6	2.5	3.1	(6.9)	3.0	6.8	6.5	10.5	12.1	6.0
Benefit (provision) for income taxes	(0.5)	(0.2)	(0.1)	—	(1.0)	(1.3)	2.6	(1.5)	(1.9)	(2.6)	24.3	(4.9)	(2.3)
Net income (loss)	9.0%	4.8%	2.7%	0.6%	1.5%	1.8%	(4.3)%	1.5%	4.9%	3.9%	34.8%	7.2%	3.7%

Revenues. Revenues increased sequentially in each of the quarters ended April 1, 2000 through June 30, 2001, due to increased demand across all markets for our wafer probe cards. Revenues declined during the three months ended September 29, 2001 due to the overall industry downturn, which resulted in a decline in unit volumes and pricing for our products. Revenues increased sequentially in each of the quarters ended December 29, 2001 through December 28, 2002 as design activity increased, primarily in the DRAM, driven by the architecture conversion to DDR, and logic markets. Revenues for the quarter ended March 29, 2003 declined primarily due to the completion of the DDR tooling cycle and the resulting lower demand for DRAM wafer probe cards.

Gross Margin. Gross margin by quarter increased to 52.7% in the three months ended July 1, 2000, due to an increase in sales of higher performance products in that quarter. Gross margin declined between the three months ended July 1, 2000 and the three months ended December 30, 2000, due to the start-up costs associated with a new manufacturing process as well as continued investments in our manufacturing infrastructure, primarily in increased personnel. Gross margin remained relatively stable from the three months ended December 30, 2000 through the three months ended September 29, 2001. Gross margin increased sequentially in each of the quarters ended December 29, 2001 through December 28, 2002 as a result of increased higher performance product sales and the benefits of our restructuring as well as other cost reduction programs, such as scheduled plant shutdowns. These benefits were partially offset by the overall industry downturn beginning in the second half of fiscal 2001 and continuing into 2002, resulting in increased pricing pressure. Gross margin decreased in the three months ended March 29, 2003 due to the increased investment in quality systems, processes and procedures and the cost of increased capacity.

Operating Expenses. Operating expenses increased in absolute dollars in each of the six quarters ended April 1, 2000 through June 30, 2001, reflecting the combination of increased staffing in all departments to support our overall business growth; increased spending on research and development to continue to develop new technologies for current and new applications; increased selling costs related to higher revenue levels; and increased management and infrastructure spending to support our planned growth and penetration into new markets. Operating expenses decreased in the three months ended September 29, 2001 and the three months ended December 29, 2001 as we restructured our operations in response to the overall industry downturn. Operating expenses continued to decline in the three months ended March 30, 2002, due to realization of ongoing

benefits of our restructuring plan and further reduction of workforce during the three months ended December 29, 2001, and a scheduled plant shutdown. Operating expenses increased in each of the following three quarters due to the operation of plants that experienced periodic shutdowns in prior periods, increased research and development spending on new technologies and increased expenses related to increased revenues. Operating expenses declined for the three months ended March 29, 2003 as spending was reduced in response to the lower revenue level.

Our quarterly operating results are likely to fluctuate, and if we fail to meet or exceed the expectations of securities analysts or investors, the trading price of our common stock could decline. Some of the important factors that could cause our revenues and operating results to fluctuate from period-to-period include:

- customer demand for our products;
- our ability to deliver reliable, cost-effective products in a timely manner;
- the reduction, rescheduling or cancellation of orders by our customers;
- the timing and success of new product introductions and new technologies by our competitors and us;
- our product and customer sales mix and geographical sales mix;
- changes in the level of our operating expenses needed to support our anticipated growth;
- a reduction in the price or the profitability of our products;
- changes in our production capacity or the availability or the cost of components and materials;
- our ability to bring new products into volume production efficiently;
- the timing of and return on our investments in research and development;
- our ability to collect accounts receivable;
- seasonality, principally due to our customers' purchasing cycles; and
- market conditions in our industry, the semiconductor industry and the economy as a whole.

The occurrence of one or more of these factors might cause our operating results to vary widely. As such, we believe that period-to-period comparisons of our revenues and operating results are not necessarily meaningful and should not be relied upon as indications of future performance.

Critical Accounting Policies and Estimates

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

Revenue Recognition. We recognize revenue in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements, as amended by SAB 101A and 101B. SAB 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the fee charged for services rendered and products delivered and the collectibility of those fees. Should changes in conditions cause management to determine these criteria are not met for certain future transactions, revenue recognized for any reporting period could be adversely affected.

Revenues from product sales to customers other than distributors are recognized upon shipment and reserves are provided for estimated allowances. We defer recognition of revenues on sales to distributors until the distributor confirms an order from its customer. Revenues from licensing of our design and manufacturing technology, which have been insignificant to date, are recognized over the term of the license agreement or when the significant contractual obligations have been fulfilled.

Accounts Receivable. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer's current credit worthiness, as determined by our review of their current credit information. We continuously monitor collections and payments from our customers and maintain an allowance for doubtful accounts based upon our historical experience and any specific customer collection issues that we have identified. While our credit losses have historically been within our expectations and the allowance established, we might not continue to experience the same credit loss rates that we have in the past. Our accounts receivable are concentrated in a relatively few number of customers. Therefore, a significant change in the liquidity or financial position of any one customer could make it more difficult for us to collect our accounts receivable and require us to increase our allowance for doubtful accounts.

Warranty Reserve. We provide for the estimated cost of product warranties at the time revenue is recognized. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. We continuously monitor product returns for warranty and maintain a reserve for the related expenses based upon our historical experience and any specifically identified field failures. As we sell new products to our customers, we must exercise considerable judgment in estimating the expected failure rates. This estimating process is based on historical experience of similar products as well as various other assumptions that we believe to be reasonable under the circumstances. Should actual product failure rates, material usage or service delivery costs differ from our estimates, revisions to the estimated warranty liability would be required.

From time to time, we may be subject to additional costs related to warranty claims from our customers. If and when this occurs, we generally make significant judgments and estimates in establishing the related warranty liability. This estimating process is based on historical experience, communication with our customers, and various assumptions that we believe to be reasonable under the circumstances. This additional warranty would be recorded in the determination of net income in the period in which the additional cost was identified.

Inventory Reserve. We state our inventories at the lower of cost, computed on a first in, first out basis, or market. We record inventory reserve for estimated obsolescence or unmarketable inventories equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory reserve may be required.

Accounting for Income Taxes. We account for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this method, we determine deferred tax assets and liabilities based upon the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. The tax consequences of most events recognized in the current year's financial statements are included in determining income taxes currently payable. However, because tax laws and financial accounting standards differ in their recognition and measurement of assets, liabilities, equity, revenue, expenses, gains and losses, differences arise between the amount of taxable income and pretax financial income for a year and between the tax bases of assets or liabilities and their reported amounts in the financial statements. Because it is assumed that the reported amounts of assets and liabilities will be recovered and settled, respectively, a difference between the tax basis of an asset or a liability and its reported amount in the balance sheet will result in a taxable or a deductible amount in some future years when the related liabilities are settled or the reported amounts of the assets are recovered, hence giving rise to a deferred tax asset. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we must establish a valuation allowance.

As of December 29, 2001, we had recorded a full valuation allowance of $9.1 million against our deferred tax assets, due to uncertainties related to our ability to utilize our deferred tax assets, primarily consisting of certain net operating losses carried forward, before they expire. In fiscal 2002, we released our valuation allowance because, based upon our recurring level of profitability, we believe that it is more likely than not that we will be able to utilize our deferred tax assets before they expire.

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes. This process involves estimating our actual current tax exposure together with assessing temporary differences that may result in deferred tax assets. Management judgment is required in determining any valuation allowance recorded against our net deferred tax assets. Any such valuation allowance would be based on our estimates of taxable income and the period over which our deferred tax assets would be recoverable. While management has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, if we were to determine that we would be able to realize our deferred tax assets in the future, in excess of their net recorded amount, an adjustment to the deferred tax asset would increase income in the period that determination was made.

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through sales of equity securities and more recently through cash generated from operations, as well. We have received a total of $64.9 million from private offerings of our equity securities. As of March 29, 2003, we had $34.8 million in cash, cash equivalents and short-term investments.

Net cash used by operating activities was $1.3 million for the three months ended March 29, 2003 compared with net cash provided by operating activities of $1.9 million for the three months ended March 30, 2002. The difference was due primarily to an increase in working capital for the three months ended March 29, 2003. Net cash provided by operating activities for fiscal 2002, 2001 and 2000 was $12.9 million, $10.3 million and $935,000, respectively. For fiscal 2002, cash was provided through net income increased by non-cash expenses such as depreciation, amortization and stock-based compensation, offset in part by the release of the valuation allowance for the deferred tax asset. For fiscal 2001, cash was provided by a reduction in working capital, as well as from net income increased by non-cash expenses. In fiscal 2000, cash was provided by net income, increased by non-cash expenses, offset in part by an increase in working capital, primarily accounts receivable.

Accounts receivable declined by $1.7 million for the three months ended March 29, 2003, reflecting a decline in revenues. Accounts receivable remained flat for fiscal 2002, compared to a decline of $501,000 for fiscal 2001, reflecting lower days sales outstanding, and an increase of $7.9 million for fiscal 2000. The increase in fiscal 2000 was due to increased revenues.

For the three months ended March 29, 2003, inventories increased by $1.9 million due to an increase in raw materials as we started to build products which require more expensive parts as well as an increase in work-in-process to meet the expected increased demand for our products. Inventories increased in fiscal 2002, 2001 and 2000 by $683,000, $522,000 and $3.1 million, respectively, to meet the expected increased demand for our products.

Accrued liabilities decreased from $7.7 million in fiscal 2002 to $5.3 million for the three months ended March 29, 2003 due primarily to the payment of yearly incentive bonuses and sales commissions. Accrued liabilities increased from $3.5 million in fiscal 2000 to $5.8 million in fiscal 2001 and to $7.7 million in fiscal 2002. The increase was due to the increase in accrued incentive bonuses as part of our shift to more variable compensation, and sales commissions as well as an increase in accrued warranty costs reflecting higher revenue levels.

Net cash provided by investing activities was $5.1 million for the three months ended March 29, 2003, compared to $5.8 million used for investing activities for the three months ended March 30, 2002. Net cash used in investing activities was $7.5 million for fiscal 2002 and $11.6 million for fiscal 2001. In fiscal 2000, investing activities provided $4.2 million. Capital expenditures were $960,000 for the three months ended March 29, 2003 and $496,000 for the three months ended March 30, 2002. Capital expenditures were $4.2 million for fiscal 2002, $9.4 million for fiscal 2001 and $6.3 million for fiscal 2000. We invested in the expansion of manufacturing facilities as well as in leasehold improvements to our new headquarters and manufacturing facility. These expenditures were partially offset or increased by the net sale or purchase of short-term investments in each of these periods.

Net cash used in financing activities was $48,000 for the three months ended March 29, 2003 compared with net cash provided by financing activities of $995,000 for the three months ended March 30, 2002. Net cash provided by financing activities was $863,000 for fiscal 2002, $10.0 million for fiscal 2001 and $2.5 million for fiscal 2000. Net cash provided by financing activities was primarily due to the issuance of common stock in fiscal 2002 and to the net sale of our redeemable convertible preferred stock in fiscal 2001 and fiscal 2000.

In May 2001, we signed a ten-year lease for an additional 119,000 square feet of manufacturing, research and development and office space. The total rent obligation over the term of the lease is $21.8 million and is accounted for as an operating lease. Our obligations under our operating leases for fiscal 2003 were approximately $2.3 million as of March 29, 2003. We expect to invest approximately $25.0 million in leasehold improvements for our new headquarters and manufacturing facility through the third quarter of 2004. Of this amount, approximately $18.0 million relates to the design and construction of a new manufacturing facility, while the remaining amount relates to the build out and infrastructure of research and development and office space.

In March 2001, we entered into a financing agreement with Comerica Bank that provides for total borrowings of up to $16.0 million. The agreement provides for a revolving line of credit that permitted borrowings from time to time up to the commitment amount of $12.0 million. The agreement also provided for an equipment line of credit of $2.0 million and a term loan of $2.0 million payable in 48 equal monthly payments of principal plus accrued interest. Amounts drawn under the equipment line of credit and the term loan could not be reborrowed once repaid. In February 2003, the agreement was amended to increase the line of credit to $16.0 million. In April 2003, we borrowed funds under the line of credit to pay down the amounts outstanding under the expiring term loan and equipment line of credit. On March 29, 2003, we had the following amounts available and amounts drawn under this agreement to support our ongoing financing requirements:

	Commitment Amount	Amount Drawn	Outstanding Principal Amounts	Amount Available for Future Borrowing
Comerica Bank equipment line of credit	$ 2,000,000	$ 375,000	$ 375,000	$ 1,625,000
Comerica Bank term loan	2,000,000	2,000,000	1,000,000	—
Comerica Bank line of credit	12,000,000	—	—	12,000,000
Total	$16,000,000	$2,375,000	$1,375,000	$13,625,000

Borrowings under the amended agreement accrue interest based on either the Comerica Bank prime rate or the LIBOR rate plus 2.0%. We have no debt obligations that have not been recorded in our consolidated financial statements.

The financial covenants in the agreement require us to maintain cash and cash equivalents of a minimum of $3.0 million, limit capital expenditures to a maximum of $30.0 million per fiscal year, and provide specific levels of profitability which we must achieve. As of March 29, 2003, we had complied with these and all other covenants in the agreement.

The following table describes our commitments to settle contractual obligations in cash as of December 28, 2002.

	Payments due by period				
Contractual Obligations	Up to 1 year	2-3 years	4-5 years	After 5 years	Total
			(in thousands)		
Operating leases	$3,177	$4,684	$4,516	$8,463	$20,840
Notes payable	500	625	—	—	1,125
Bank line of credit	375	—	—	—	375
Total contractual cash obligations	$4,052	$5,309	$4,516	$8,463	$22,340

In May 2003, we received a Notice of Violation from the Bay Area Air Quality Management District regarding our record keeping relating to our usage of wipe cleaning solvent. Although we introduced corrective action to prevent any continued or recurrent record keeping violation, we may still be subject to a substantial

penalty based upon the unresolved Notice of Violation or required to take further action. Final resolution of this notice of violation could harm our operating results.

We believe our existing cash balance and credit facilities will be sufficient to meet our anticipated cash needs for at least the next 12 months. Our future capital requirements will depend on many factors, including our rate of revenue growth, the timing and extent of spending to support product development efforts, the expansion of sales and marketing activities, the timing of introductions of new products and enhancement to existing products, the costs to ensure access to adequate manufacturing capacity, and the continuing market acceptance of our products. To the extent that funds generated by this offering, together with existing cash, cash equivalents and short-term investments balances and any cash from operations, are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. Although we are currently not a party to any agreement or letter of intent with respect to potential investments in, or acquisitions of, complementary businesses, products or technologies, we may enter into these types of arrangements in the future, which could also require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

Recent Accounting Pronouncements

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF Issue No. 00-21 will apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We do not expect the adoption of EITF Issue No. 00-21 to have a material impact on our financial position or on our results of operations.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. We do not expect the adoption of FIN 46 to have a material impact on our financial position or on our results of operations.

Quantitative and Qualitative Disclosure of Market Risks

Foreign Currency Exchange Risk. Our revenues, except in Japan, and our expenses, except those expenses related to our Germany, United Kingdom, Japan and Korea operations, are denominated in U.S. dollars. As a result, we have relatively little exposure for currency exchange risks and foreign exchange losses have been minimal to date. We do not currently enter into forward exchange contracts to hedge exposure denominated in foreign currencies or any other derivative financial instruments for trading or speculative purposes. In the future, if we feel our foreign currency exposure has increased, we may consider entering into hedging transactions to help mitigate that risk.

Interest Rate Risk. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. Some of the securities in which we invest may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with an interest rate fixed at the then-prevailing rate and the prevailing interest rate later rises, the principal amount of our investment will probably decline. To minimize this risk in the future, we intend to maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including commercial paper, money market funds, government and non-government debt securities and certificates of deposit. The risk associated with fluctuating interest rates is limited to our investment portfolio and we do not believe that a 10% change in interest rates will have a significant impact on our interest income. As of March 29, 2003, all of our

investments were in money market accounts, certificates of deposit or high quality corporate debt obligations and U.S. government securities.

Our exposure to market risk also relates to the increase or decrease in the amount of interest expense we must pay on our outstanding debt instruments, primarily borrowings under a financing agreement we entered into with a financial institution in March 2001. See Note 5 of the notes to our consolidated financial statements. As of March 29, 2003, this facility provides for borrowings up to $16.0 million, of which approximately $13.6 million is available for future borrowings. At March 29, 2003, approximately $1.4 million was outstanding under this facility. The loans bear a variable interest rate based on either the Comerica Bank prime rate or the LIBOR plus 2.0%. The risk associated with fluctuating interest expense is limited to this debt instrument and we do not believe that a 10% change in the prime or LIBOR rate would have a significant impact on our interest expense.

BUSINESS

Overview

We design, develop, manufacture, sell and support precision, high performance advanced semiconductor wafer probe cards. In 2002, we were the leader in the advanced wafer probe card market in terms of revenues. Our products are based on our proprietary MicroSpring interconnect technology. This technology, which includes resilient spring-like contact elements, enables us to produce wafer probe cards for applications that require reliability, speed, precision and signal integrity. We manufacture our MicroSpring contact elements through precision micro-machining and scalable semiconductor-like wafer fabrication processes. We offer our customers high parallelism, large area array wafer probe cards to reduce their overall cost of test. We believe that our customers will be able to use our technology to optimize the semiconductor manufacturing pipeline, from initial device design and fabrication through system assembly and test, by performing more advanced test functions on whole wafers in the front-end of the semiconductor manufacturing process, rather than on individual devices in the back-end.

We introduced our first wafer probe card based on our MicroSpring interconnect technology in 1995, and, by the end of 2000, we were the leading supplier of advanced wafer probe cards, based on revenues, according to VLSI Research, an independent research firm. Our customers include the top 10 dynamic random access memory, or DRAM, manufacturers, the world's largest microprocessor company, and three of the top 10 flash memory manufacturers; and, combined, these identified groups of our customers account for substantially all of our revenues. We focus our research and development activities on expanding our products into new markets and developing new applications for our MicroSpring interconnect technology. We manufacture our wafer probe cards in Livermore, California, and sell and support our products worldwide through our direct sales force, a distributor and independent sales representatives.

Industry Background

Integrated circuits, also commonly referred to as semiconductors, devices or chips, are complex electronic devices made up of a large number of transistors that are fabricated on wafers, packaged and integrated into systems used in a wide range of electronic products, including personal computers, portable electronics, telecommunication equipment, wireless applications and digital consumer electronics. The World Semiconductor Trade Statistics estimates that over 78.6 billion chips were shipped in 2002.

The Continual Evolution of the Chip — Faster, Smaller, Lower Cost

The ability to integrate increasing numbers of transistors on a given area of silicon has allowed the semiconductor industry to manufacture faster, smaller and more complex devices at a decreasing cost. Over time, the complexity of semiconductors has increased significantly, with the number of transistors on a chip doubling approximately every 18 months, with an accompanying decrease in the cost per device. This evolutionary phenomenon was first articulated by Dr. Gordon Moore, a co-founder of Intel Corporation, and has come to be known as "Moore's Law."

In order to satisfy the demand for faster, smaller and lower cost chips, the semiconductor industry continually develops manufacturing, process and design improvements, most recently including the following:

- *Smaller Geometries.* The ability to reduce the feature sizes within transistors in a chip to .13 micron and below is enabling manufacturers to produce greater numbers of chips per wafer, or the same number of chips with greater complexity, improve performance and reduce cost.

- *300 mm Wafers.* The transition of the standard wafer form factor from 200 mm to 300 mm will more than double the available area on a wafer, significantly increasing the number of chips per wafer and further reducing the cost at which chips can be manufactured.

- *Copper Interconnect.* Because of copper's higher level of conductivity as compared to aluminum, the transition from aluminum to copper as the preferred wiring material for interconnecting layers within chips is enabling higher speeds and greater performance.

- *Low-K Dielectrics.* The introduction of new insulating materials such as low-k and super low-k dielectrics will enable improved device performance by reducing signal delay and electrical cross-talk, or interference, between increasingly densely-packed electrical connections on a chip.

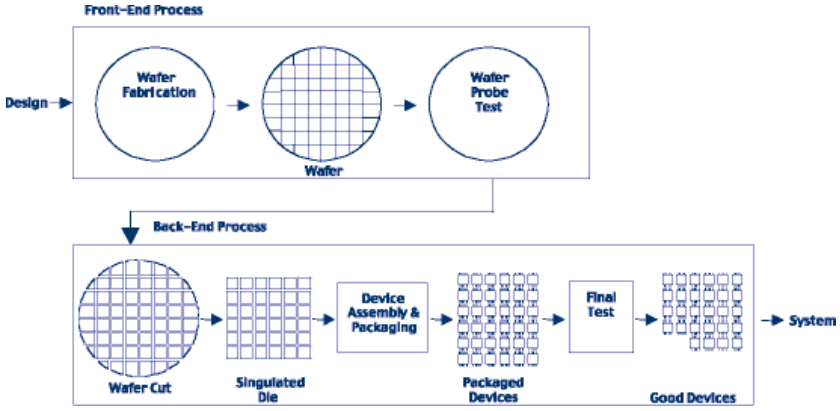
With these changes, the semiconductor industry is currently experiencing a critical technology evolution. This evolution is resulting in a substantial increase in the cost of building new manufacturing capacity, with the cost of a leading edge 300 mm wafer manufacturing facility now approaching or exceeding $3.0 billion. With ever increasing capital investments, semiconductor manufacturers are focusing on ways to accelerate their return on investment by increasing volumes and yields, decreasing manufacturing costs and improving the time to market of their products.

The Chip Manufacturing Front-End and Back-End Processes

The semiconductor industry has historically separated the manufacture of chips into two distinct parts: the front-end wafer fabrication process, and the back-end assembly, packaging and final test process. The front-end process involves numerous complex and repetitive processing steps, including deposition, photolithography, etch and ion implantation, during which hundreds or even thousands of copies of an integrated circuit are formed simultaneously on a single wafer. After fabrication of the wafer is complete, the wafer is subject to wafer probe test. During wafer probe test, a wafer probe card is mounted in a prober, which is in turn connected to a semiconductor tester, sends an electrical signal through each chip on the wafer and verifies whether the chip performs basic functions, such as sending and receiving electrical signals. In some instances, wafer probe test is also used for more in-depth testing of the performance of the chip against design specifications. All of the steps in the front-end process, including wafer probe test, are performed at the "wafer-level," before the wafer is cut into individual chips.

After wafer probe test, the wafer is transferred to the back-end portion of the manufacturing process. The first step in the back-end process is singulation, in which the wafer is cut into individual die. As a result of this first step, all subsequent back-end process steps must be performed at the individual chip level and, therefore, cannot be performed with the economies of scale afforded by the whole-wafer steps of the front-end process. After singulation, die that failed wafer probe test are discarded and the remaining die are assembled and packaged. The packaged chips are then subjected to final test over a range of operating conditions and temperatures to confirm that the packaged chips perform according to full specifications. Chips are sorted by performance characteristics and those passing final test standards are ready to be incorporated into a system.

The following diagram depicts the typical design to system semiconductor manufacturing pipeline:



In view of the increasing complexity of semiconductor fabrication, manufacturers have introduced technologies to increase yields and minimize costs. In the front-end process, for example, manufacturers are using metrology and inspection tools to identify, diagnose and minimize fabrication defects. Manufacturers also perform parametric test to verify process uniformity and capability. These tools confirm compliance with some manufacturing criteria, but they cannot test the functional electrical performance of a chip and, therefore, cannot confirm whether chips perform according to specifications.

The Significance and Cost of Test

Test is a critical part of the manufacturing process. In addition to identifying chips that do not function properly, both wafer probe test and final test generate information that may be used to redesign the chip or to implement manufacturing process changes that can result in improved chip yield. Test is the only process step that semiconductor manufacturers perform during both the front-end and back-end processes, and the cost of test is high. According to Infrastructure, Inc., an independent market research firm, the price for a high-end tester for logic chips has increased 25-fold over the last two decades from about $400,000 per system in the 1980s, to $3.0 to $5.0 million in the mid-1990s, to $6.0 to $10.0 million today. In addition, according to the International Technology Roadmap for Semiconductors, the cost per pin of testing is expected to remain constant in the near future, while the number of pins per chip is projected to grow by 10% per year, resulting in the cost of test becoming a larger portion of the overall cost of manufacturing a device.

One way to address the high cost of test is to migrate elements of test from the individual chip level of the back-end process to the whole-wafer level of the front-end process. If wafer probe test can be used to provide greater levels of device validation, manufacturers will expend less time and money in the back-end process assembling, packaging and testing defective chips. This test migration will also reduce manufacturers' need to purchase more processing equipment and testers to handle increasingly complex chips and the increasing number of chips per wafer. However, the migration of elements of final test to the front-end process will place significant capability and performance demands on wafer probe test.

Wafer Probe Test

During wafer probe test, wafer probe cards are used as an interface to electrically connect with and test individual chips on a wafer by moving the wafer into contact with the wafer probe card. The contact that occurs between the wafer probe card and the input/output terminals, or bond pads, of the chips on the wafer is commonly called a "touchdown." Some wafer probe cards are capable of contacting the bond pads of more than one chip on the wafer at a time. This capability is known as parallelism. Depending on the number of chips on the wafer, and the testing parallelism capability of the wafer probe card, wafer probe test requires a varying number of touchdowns. For example, in order to test a typical 200 mm DRAM wafer containing approximately 400 to 500 chips, a wafer probe card that tests 32 chips per touchdown could require 15 to 18 touchdowns, depending on the layout of the chips on the wafer. A wafer probe card that tests 16 chips per touchdown could require twice the number of touchdowns to test a whole wafer. An increase in touchdowns means that test requires more time to complete and the cost of test increases.

In order to pass wafer probe test, chips must perform within a range of tolerances established by the manufacturer. A wide range will typically result in a higher yield from the front-end process, but an increased number of failures at final test. A narrow range will typically reduce final test failures and the costs associated with assembling and packaging defective chips, but reduce revenue per wafer because otherwise sellable chips will be discarded after wafer probe test as a result of their being incorrectly identified as failing to meet basic performance requirements — commonly referred to as "false fails."

The accuracy of wafer probe test is a function of the accuracy of the wafer probe test systems, which consist of the semiconductor tester, the prober, and the wafer probe card. The wafer probe card is mounted within the prober, which also houses the wafers to be probed or tested. The wafers are placed on a platform or "chuck" in the prober and precisely aligned with the wafer probe card to permit the probes on the wafer probe card to touchdown on the bond pads of one or more die on the wafer. Once this contact is made, the semiconductor tester, which is connected to the wafer probe card and prober, transmits electrical signals through the wafer probe card to the individual die on the wafer. Signals are then returned back through the wafer probe card to the semiconductor tester for evaluation. The signal integrity of the electrical path in the wafer probe card is a critical element of overall test accuracy. As wafer probe test accuracy increases, manufacturers can reduce the range of tolerance within which a chip must perform and realize an increase in chip yield at final test without suffering an unacceptable loss of yield from false fails at wafer probe test. Accordingly, manufacturers expend considerable time and expense creating test methodologies that optimize wafer probe test systems and wafer probe cards. VLSI Research forecasts that the wafer probe test market, comprised of wafer probe test systems and wafer probe

cards, will grow from $1.6 billion in 2001 to $2.5 billion in 2005. VLSI Research also projects that the wafer probe card portion of the overall wafer probe test market will grow from $392.4 million in 2001 to $612.5 million in 2005.

Wafer probe cards for testing DRAM, flash, logic and microprocessor chips vary in design depending upon the type and design of the chip to be tested, the number of chips on the wafer, and the testing strategy of the chip manufacturer, including the selected semiconductor tester and prober. For example, these factors will affect the layout of the contact elements, the electrical path design, the presence or absence of additional components, such as capacitors, resistors or active elements, and the tester interface on the wafer probe card.

Wafer probe card purchases are driven by chip design changes and growth in the number of units manufactured. Because every semiconductor design is unique, every new chip design requires the use of a new wafer probe card customized for that design. Design changes result both from implementation of ongoing improvements to the design and manufacturing process of current generation chips and from application of new technologies and processes, such as shrinking geometries and the introduction of copper interconnects and low-k dielectrics. Many semiconductor manufacturers will also implement new chip designs in connection with the transition to 300 mm wafers. During industry upturns when manufacturers are increasing capacity, chip unit growth is the principal driver of wafer probe card demand. However, even in industry downturns, semiconductor manufacturers typically continue to introduce new products or modify the designs of existing products, requiring new wafer probe cards.

Conventional Wafer Probe Card Technologies

VLSI Research divides current probe card technologies into two principal categories: needle probe cards and advanced technology wafer probe cards. The manufacture of needle, or epoxy-ring, probe card technology, which has been in existence for over 30 years, involves the gluing of needles with epoxy in a ring and manually bending the needles, typically a few inches long, to the specifications of a wafer probe card design. Advanced technology wafer probe cards are generally used to test chips with a high number of input/output pins, to test a significant number of chips in parallel, and to perform high speed testing. Advanced technology wafer probe cards include vertical or buckling beam, or COBRA, technology and membrane technology. COBRA probe card technology, based upon technology first described in 1966, uses manually-built vertical beam probes, which are long, slightly curved, vertical wires that buckle slightly as they contact a wafer. Membrane technology, which was introduced in the mid-1980s, probes chips by pressing contact tips mounted on flexible membranes to the wafer. We refer to needle probe cards and advanced technology wafer probe cards using the COBRA and membrane technology as “conventional” wafer probe cards or technologies. VLSI Research also identifies a third technology category, tungsten probes, which do not have widespread application for the faster, smaller and lower cost chips being developed and manufactured by the semiconductor industry.

The Limitations of Conventional Wafer Probe Card Technologies

Conventional wafer probe card technologies are starting to face practical performance limits due to one or more of the following factors:

- *Lack of Parallelism Increases Cost.* Shrinking geometries and the transition to 300 mm wafers increases the number of chips per wafer. This increase imposes significant challenges for manufacturers of conventional wafer probe cards. Unless the number of chips that a wafer probe card is able to contact in parallel increases in proportion to the increasing number of chips on a wafer, the economies of scale generated during the front-end fabrication process cannot be matched during wafer probe test. To meet the demand for higher parallelism and in order to make uniform contact with the chips on the wafer, wafer probe cards need to be manufactured with large area probe arrays that are precisely engineered in a single level plane, or planarized. Because some conventional wafer probe cards must be manufactured in part by hand, those cards cannot, without great difficulty, if at all, be manufactured with precisely planarized probe arrays that are large enough to meet parallelism demands. As a consequence, those cards cannot match the increasing efficiencies of the front-end

fabrication process. The result is that the cost of test increases as a percentage of total manufacturing cost.

- *Poor Signal Integrity Lowers Yield.* Due to the limitations of their electrical characteristics, many conventional wafer probe card technologies limit the degree to which the test environment can replicate the environment in which the chip will be packaged and used. These limitations become more pronounced as operating frequency increases. As a result, conventional wafer probe cards may report a significant number of false fails and the engineering effort to prevent chip yield loss per wafer becomes more difficult.

- *Manual Assembly Impairs Precision.* The manufacture of certain conventional wafer probe cards requires the manual attachment of the probing contact elements. Needle probe cards require manual assembly and positioning, which inherently results in less precision and requires continual adjustment at the chip manufacturer's fabrication facility. This limitation is magnified as device geometries shrink and enable more complex chips with an increasing number of input/output pins. With the increasing number of pins, smaller bond pad sizes are needed to provide electrical connections for those pins, and bond pads must also be located closer to each other, which is referred to as reduced pitch. It will become increasingly difficult for some conventional wafer probe cards, such as those using COBRA technology, to provide predictable contact with bond pads under these circumstances.

- *Testing at Extreme Temperature Negatively Affects Performance.* Wafer probe test is often performed both below and above room temperature in order to replicate the operating condition at which the chip is expected to fail. For the flash memory market in particular, manufacturers may need to test at temperature ranges from -40C to +150 C for chips used in some consumer and automotive applications. As temperature ranges increase, the component materials for conventional wafer probe cards are subject to a greater range of expansion and contraction, which significantly increases the complexity of making accurate contact with the bond pad. This problem is exacerbated by increases in the size of the probe array, or the number of probing elements that contact the bond pads of the chips on the wafer, and by increases in the number of chips under test. These challenges have limited many conventional wafer probe cards to smaller probe array sizes.

- *High Contact Force Reduces Yield and Tester Uptime.* As new materials such as low-k and super low-k dielectrics are introduced into the chip manufacturing process, the force with which the wafer probe card contacts the chips on the wafer becomes increasingly important. Many of these new materials are relatively fragile. In order to make contact, conventional wafer probe cards apply significant force on the bond pads, which can damage the underlying structure of the chips. The likelihood of damage increases as the number of contacts on the same bond pad increases. As a result, the wafer probe card can cause an otherwise fully-functional chip to become defective or can cause latent defects that may impact reliability. This significant contact force also frequently generates debris and contaminants on the bond pads or probe tips, which can impair the electrical contact. Impaired electrical contact can result in false fails and reduced production yield. In addition, the existence of debris and contaminants requires that manufacturers frequently clean the test equipment, resulting in reduced overall tester uptime and increased test costs.

While some conventional wafer probe cards address various performance limitations, no conventional technology resolves all of the performance issues adequately. In many cases, the features of conventional wafer probe cards that solve one or more of the performance limitations compromise the performance of the wafer probe card in other areas. For example, while needle probe cards can provide a fast design to product cycle time that is advantageous for certain wafer test applications and smaller wafer volume requirements, the manual assembly and positioning requirements of needle probe cards negatively impact their precision and ability to meet the demand for higher parallelism arising out of certain other wafer test requirements. As a result, conventional wafer probe card technologies fail to meet the industry's need to reduce test cost. These cost inefficiencies will be magnified by new developments in the front-end process, including shrinking geometries and the move to 300 mm wafers. We believe that in order for the cost of test to keep pace with the decreases in front-end process per chip manufacturing costs, not only must the performance limitations of conventional wafer probe card

technologies be resolved, but more of the test functions must be performed at the wafer level. The semiconductor industry needs a solution that addresses the performance limitations of conventional wafer probe card technology and also enables the migration of more elements of final test to the front-end manufacturing process. Such a solution will help to better integrate the front-end and back-end processes and provides a scalable solution to the rising cost of test.

The FormFactor Solution

We design, develop, manufacture, sell and support precision, high performance advanced wafer test probe cards based on our proprietary MicroSpring interconnect technology. We believe that our wafer probe cards are the optimal test solution available today for probing chips at the wafer level and offer the potential for our customers to migrate elements of final test to wafer probe test.

Our wafer probe cards address the performance limitations of conventional wafer probe card technologies:

- *Our High Parallelism Advantage Reduces Cost of Test.* Our high parallelism wafer probe cards enable our memory customers to test a significant number of chips in parallel in a single touchdown, reducing the cost of test and improving their time to market. Our wafer probe cards are manufactured with large probe arrays that are precisely planarized in order to contact uniformly the chips on the wafer. For example, our largest commercially available wafer probe cards can test most 200 mm DRAM wafers with as few as four touchdowns and most 300 mm DRAM wafers with as few as six touchdowns. This reduced number of touchdowns can significantly decrease total test time per wafer, resulting in a significant reduction in the cost of test.

- *Our High Signal Integrity Improves Yield.* Due to the proprietary metallurgy and design of our wafer probe cards and our proprietary design processes, our wafer probe cards perform wafer probe test with a high level of signal integrity as compared to conventional needle cards. The signal measured at the tip of the MicroSpring contact element is reported to the wafer probe test system with a high degree of accuracy and with minimal signal loss and distortion. The result is that our wafer probe cards precisely measure the working performance of the chips and can operate with a flat or nearly flat response at higher frequencies. The precision of our measuring capability can improve wafer yields because our wafer probe cards generate fewer false fails during the wafer probe test. Our signal integrity also allows our customers to narrow their range of device test tolerances.

- *Precise MicroSpring Technology Enables Precise Probing.* Our MicroSpring contact elements have geometrically precise contact tips that allow our customers to probe the increasingly small bond pad sizes and reduced pitches that chip manufacturers are implementing. We achieve this contact precision by manufacturing our wafer probe cards using micro-machining and semiconductor-like wafer fabrication processes, including deposition and photolithography. Because we employ some of the same processes used in front-end wafer fabrication, we are able to scale our testing capabilities to the shrinking geometries of semiconductors on a wafer. For example, our latest large area array platform is capable of precisely contacting in parallel 256 chips on a wafer having bond pads that measure 62 microns x 64 microns.

- *Compensation for Extreme Temperatures Improves Performance.* The proprietary design of our wafer probe cards allows us to select materials and provide for precise matching of the thermal expansion characteristics of our wafer probe card with the wafer under test. As a result, our wafer probe cards generally are able to accurately probe over a large range of operating temperatures. Our current operating specification range is -40°C to +120°C. This feature enables our customers to use the same wafer probe card for both low and high temperature testing without a loss of performance. In addition, for those testing situations that require positional accuracy at a specific temperature, we have designed wafer probe cards optimized for testing at such temperatures.

- *Lower Contact Force Increases Yield and Tester Uptime*. Our MicroSpring contact elements have precise contact geometries, enabling the use of relatively low contact force during wafer probe test. Our proprietary technology allows us to implement spring elements having a spring constant of

approximately one gram force per one-thousandth of an inch, or 1 gmf/mil, of deflection as compared to a range of 2 to 3 gmf/mil of deflection, to ensure stable, long-term contact performance. The lower contact force permitted by our technology allows our wafer probe cards to test chips incorporating fragile next-generation materials, such as low-k and super low-k dielectrics, without damaging the chips. As contact force decreases, our MicroSpring interconnect technology allows us to precisely design our contact tip geometries and materials to enable stable contact with current and future bond pad materials, such as copper. This lower contact force is also an advantage for probing solder bump wafers. With lower contact force, our wafer probe cards generate less debris when contacting the bond pads of the chips on the wafer, reducing false fails and reducing the need to clean our wafer probe cards, increasing uptime. This lower contact force, combined with the robust characteristics of our MicroSpring interconnect technology, provides our customers with a very durable and reliable probing solution. Our wafer probe cards also couple this lower contact force with a stable and consistent contact resistance over repeated touchdowns.

In addition to solving the limitations of conventional wafer probe cards, our MicroSpring interconnect technology and our other proprietary design tools and technology enable our customers to realize a lower total cost of test. Although we do not sell semiconductor testers or probers, our wafer probe cards can be designed to work in any manufacturer's wafer probe test system for DRAM, flash, logic and microprocessor devices. We believe that our existing technology enables us to test substantially all currently available DRAM, flash, logic and microprocessor devices, and substantially all emerging DRAM flash, logic and microprocessor devices for which our customers have provided us designs or guidance. We employ a sales model that emphasizes the customer's total cost of ownership as it relates to test costs. We demonstrate how a customer's test costs can be reduced by simulating its test floor environment, including testers and probers, utilizing our products and comparing them to conventional wafer probe cards. We believe that the yield improvement, total cost of ownership and scalability advantages of our wafer probe cards, combined with our efforts to understand and solve our customers' problems, allow us to capture a higher selling price compared to conventional wafer probe cards.

The migration of elements of final test from the packaged chip back-end process to front-end wafer probe test requires a wafer probe card technology that has a flat or nearly flat response at high frequencies along signal transmission lines, a minimal level of electrical cross-talk among signals, or interference, and a high degree of power decoupling, which minimizes power supply voltage variations at the chips being tested. We believe that the signal integrity of our wafer probe cards combined with their high parallelism and power decoupling characteristics meet these requirements and will facilitate the migration of elements of final test to front-end wafer probe test. We believe this migration will allow our customers to extend the benefits of wafer-level scaling to elements of final test and thereby enable them to feed back this test information earlier in the design and fabrication process, improving time to market. We believe that this migration will also enable our customers to realize a more cost effective, optimized semiconductor manufacturing pipeline.

Strategy

Our objectives are to enhance our position as the leading supplier of advanced wafer probe card solutions and to apply our MicroSpring interconnect technology to drive economies of scale at the wafer-level in semiconductor test. The principal elements of our strategy include:

Enhance our Market Leadership in the DRAM Industry. Our technology and products have enabled the DRAM industry to conduct high parallelism testing at the wafer level, with up to 253 chips under test in parallel. Parallelism is particularly important in the testing of DRAMs. As DRAM densities increase, test times also increase, because the time to test each cell within a chip is relatively fixed. Therefore, higher parallelism test is needed in order to maintain or improve the rate of throughput in test. We believe that in the future DRAM test will benefit by transitioning from high parallelism test to full wafer test in a single touchdown. To this end, we intend to work closely with our customers and business partners to deploy more highly parallel solutions which are not commercially available, and ultimately a single touchdown solution for testing 200 mm and 300 mm DRAM wafers.

Expand our Presence in the Flash Memory Test Market by Leveraging our MicroSpring Interconnect Technology. The fundamental MicroSpring interconnect technology and large area array capabilities that enable high parallelism DRAM chip testing are transferable to flash memory testing, and we intend to continue to leverage into the flash memory test market the expertise and capabilities we have developed in the DRAM market. We successfully introduced in 2001 the industry's first high parallelism wafer probe cards for flash memory. Our existing commercially available technology is designed for flash memory tests up to 121 chips in parallel. We believe that our technology is capable of greater levels of parallism, up to and beyond testing 144 chips in parallel. We intend to continue penetrating the flash memory test market, as we believe that flash memory will offer us additional growth opportunities outside of the personal computer-centric DRAM and microprocessor markets.

Increase our Penetration into the Logic Market. In the logic chip market, time to market is particularly critical, as significant market penetration requires very short lead times. As part of our strategy to address high volume applications, we have entered the microprocessor market. We believe that with increasing pin counts, an increasing number of logic applications will migrate toward large area array or flip chip packaging, which will create additional opportunities for the use of our products. Our wafer probe cards are also well suited for testing system on a chip, or SOC devices, where leading edge probe capability is required to meet a wide range of electrical, mechanical and temperature requirements. We are working with some of our customers to create custom wafer probe cards for testing SOC devices by addressing the specific pitch, parallelism, signal count, electrical integrity, current and test frequency requirements of customers' SOC devices. We are also engaged in research and development activities directed to reducing our manufacturing costs and cycle time to compete more effectively, including in short lead time and lower volume wafer test applications.

Enable Migration of Elements of Final Test to the Wafer Level. We intend to continue to work with our customers to enable them to migrate elements of final test from the chip level to the wafer level. The benefits of obtaining test results earlier in the manufacturing process will become particularly important as the miniaturization of systems requires manufacturers to deliver fully functioning chips in die form, which increases the importance of having chips validated at the wafer level. For example, in the case of system in a package, or SIP, and small form factor applications, where unpackaged chips are included in a system, an individual chip that is not fully tested at the wafer level might cause the entire system to fail if the chip fails to deliver full performance. An important part of our strategy is to continue working with our customers to identify and implement programs in which our MicroSpring interconnect technology can help to migrate elements of final test to the front-end process.

Extend our Technology Leadership Position. With our MicroSpring interconnect technology, we have established a leading position in the advanced wafer probe card market. Wafer probe cards provide a rigorous and taxing environment for interconnection structures because they must touchdown on a wafer hundreds of thousands of times. Based on our success in developing wafer probe cards that can address these requirements, we believe that our MicroSpring interconnect technology can be applied in a broad range of applications where reliability, speed, precision and signal integrity are important, including wafer test, wafer-level packaging, final test, burn-in and socket and connector applications. We plan to continue to engage in research and development activities to extend our MicroSpring interconnect technology and other proprietary technologies to these and other applications.

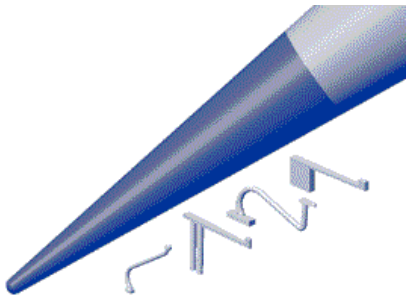
Continue to Build on our Strategic Relationships. We have benefited from and plan to continue to rely on relationships with other industry participants. We have developed strategic relationships with leading semiconductor manufacturers and test equipment manufacturers. For example, we have engaged with tester companies, including Advantest Corporation, Agilent Technologies Inc. and Teradyne Inc., to introduce solutions that include wafer probe test systems and wafer probe cards. These engagements are typically informal in nature and have not historically been documented in written agreements. We have also engaged with semiconductor manufacturers to introduce new high parallelism test solutions and high frequency at-speed testing solutions. These engagements typically involve our designing and manufacturing of prototype probe cards for our customers. We believe these strategic relationships will facilitate faster product introduction and market acceptance for our customers and enhance our market position. Our strategic relationships also include licensing arrangements. We select applications for licensing, rather than manufacturing, where the applications are characterized by long adoption

cycles, high barriers to entry, or the inclusion of our MicroSpring interconnect technology with one or more technologies that fall outside the area of our core competence.

FormFactor's MicroSpring Interconnect Technology and Products

Our products are based on our proprietary MicroSpring interconnect technology. Our MicroSpring contacts are springs that optimize the relative amounts of vertical contact force on, and horizontal force across, a bond pad during the test process and maintain their shape and position over a range of compression. These characteristics allow us to achieve reliable, electrical contact on either clean or oxidized surfaces, including bond pads on a wafer. Our MicroSpring contacts enable our wafer probe cards to make hundreds of thousands of touchdowns with minimal maintenance. The MicroSpring contact can be attached to many surfaces, or substrates, including printed circuit boards, silicon wafers, ceramics and various metalized surfaces. This flexibility allows the MicroSpring contact to be considered for use in a broad range of other applications, including chip scale packages, sockets and connectors.

Since its original conception, the MicroSpring contact has evolved into a library of spring shapes and technologies. Our designers use this library to design an optimized custom wafer probe card for each application. Since developing this fundamental technology, we have broadened and refined it to respond to the increasing demands of smaller, faster and more complex semiconductors. Our MicroSpring contacts have scaled in size with the evolution of semiconductors. Depicted in relative scale below are four of our basic spring types compared to a rendering of a standard No. 2 pencil.



Our MicroSpring contacts include geometrically precise tip structures. These tip structures are the parts of our wafer probe cards that contact the chips, and are manufactured using proprietary semiconductor-like processes. These tip structures enable precise contact with small bond pad sizes and pitches. Our technology allows us to specifically design the geometries of the contact tip in order to ensure the most precise and predictable electrical contact is achieved for a customer's particular application. We believe our technology will scale with that of front-end fabrication processes because we use proven semiconductor-like wafer fabrication processes and equipment in our manufacturing processes. As a consequence, we believe we have the ability to shrink wafer probe card contact geometries as necessary to test shrinking chip geometries on the wafer. However, because we do not use costly leading-edge equipment, we are able to manufacture in a less capital-intensive manner.

Our wafer probe cards are custom products that we design to order for our customers' unique wafer designs. Contacting up to 256 chips in parallel requires large area contact array sizes because they must accommodate over 11,000 simultaneous contacts. This requirement poses fundamental challenges that include the planarity of the array, the force needed to make contact and the need to touch all bond pads with equal accuracy. We have developed wafer probe cards that use array sizes ranging from 50 mm x 50 mm to greater than 100 mm x 100 mm, in combination with complex multi-layer printed circuit boards designed by our design team. While leading edge DRAM designs use larger array sizes for highly-parallel applications, smaller array sizes used for DRAM applications a few years ago can be used for today's leading edge applications in the flash memory

and logic markets. Our current DRAM contacting technology allows our products to contact up to 256 DRAM chips in parallel. Our current flash contacting technology allows us to contact up to 144 flash chips in parallel. We believe that the levels of parallelism in our wafer probe cards that are produced in volume are one or two generations ahead of the volume production capabilities of our competitors.

We have invested and intend to continue to invest considerable resources in our wafer probe card design tools and process. These tools and processes enable automated routing and trace length adjustment within our printed circuit boards and greatly enhance our ability to rapidly design and lay out complex printed circuit board structures. Our proprietary design tools also enable us to design wafer probe cards particularly suited for testing today's low voltage, high power chips. Low voltage, high power chips require superior power supply performance, and our MicroSpring interconnect technology is used to provide a very low inductance, low resistance electrical path between the power source and the chip under test.

Because our customers typically use our wafer probe cards in a wide range of operating temperatures, as opposed to conducting wafer probe test at one predetermined temperature, we have designed complex thermal compensation characteristics into our products. We select our wafer probe card materials after careful consideration of the potential range of test operating temperatures and design our wafer probe cards to provide for a precise match with the thermal expansion characteristics of the wafer under test. As a result, our wafer probe cards generally are able to accurately probe over a large range of operating temperatures. This feature enables our customers to use the same wafer probe card for both low and high temperature testing without a loss of performance. In addition, for those testing situations that require positional accuracy at a specific temperature, we have designed wafer probe cards optimized for testing at such temperatures.

Our many spring shapes, different geometrically-precise tip structures, various array sizes and diverse printed circuit board layouts enable a wide variety of solutions for our customers. Our designers select the most appropriate of these elements, or modify or improve upon such existing elements, and integrate them with our other technologies to deliver a custom solution optimized for the customer's requirements. We believe that the yield improvement, total cost of ownership and scalability advantages of our wafer probe cards, combined with our efforts to understand and solve our customers' test problems, allow us to capture a higher selling price compared to conventional wafer probe cards.

Customers

Our customers include manufacturers in the DRAM, flash and logic markets. Our customers use our wafer probe cards to test DRAM chips including DDR, RDRAM, SDRAM and EDRAM, static RAM chips, NOR and NAND flash memory chips, Serial Data devices, chipsets, microprocessors and microcontrollers. Our DRAM customers include the 10 largest DRAM manufacturers in the world, and our flash customers include three of the 10 largest flash memory manufacturers in the world. We believe that our products are now used in more than 65 wafer fabrication facilities worldwide. The table below is a representative list of semiconductor manufacturers that use our wafer probe cards:

DRAM Market	Flash Market
Elpida Memory, Inc.	Fujitsu AMD Semiconductor Ltd.
Hynix Semiconductor America, Inc.	Hitachi Nippon Steel Semiconductor Sing. Pte. Ltd.
Infineon Technologies AG	Intel Corporation
Micron Technology, Inc.	Samsung Electronics Industries Co., Ltd.
Nanya Technology Corporation	
PowerChip Semiconductor Corp.	
ProMOS Technologies Inc.	
Samsung Electronics Industries Co., Ltd.	**Logic Market**
TECH Semiconductor Singapore Pte. Ltd.	Intel Corporation
Winbond Electronics Corporation	

In the three months ended March 29, 2003, sales to three customers accounted for 66.7% of our revenues, with 38.0% attributable to Intel Corporation, 18.7% attributable to Spirox Corporation, our distributor, and 10.0% attributable to Infineon Technologies AG. In fiscal 2002, sales to three customers accounted for 67.9% of our revenues, with 26.9% attributable to Intel Corporation, 20.9% attributable to Spirox Corporation and 20.1% attributable to Infineon Technologies AG. In fiscal 2001, sales to four customers accounted for approximately 75.1% of our revenues, with 26.4% attributable to Spirox Corporation, 20.2% attributable to Samsung Electronics Industries Co., Ltd., 16.1% attributable to Infineon Technologies AG and 12.4% attributable to Intel Corporation. No other customer accounted for more than 10% of our revenues in any of these referenced periods.

Strategic Relationships and Licensees

We work closely with semiconductor tester manufacturers and prober manufacturers to maintain our leadership in advanced wafer probe test and to help our customers achieve faster product introduction and acceptance. For example, we have engaged with tester companies, including Advantest Corporation, Agilent Technologies Inc. and Teradyne Inc., to introduce complete test solutions for semiconductor manufacturers. These engagements are typically informal in nature and are not documented in written agreements. Thus, while we believe they are important to ensure the alignment of our product roadmaps with those of our customers, we have no contractual commitments or guarantees. We have also engaged with semiconductor manufacturers to introduce new high parallelism test solutions and high frequency at-speed testing solutions. These engagements typically involve our designing and manufacturing prototype wafer probe cards for our customers. We believe these relationships also serve to validate our basic test strategies and facilitate an integration of test and manufacturing roadmaps.

In 1998, we introduced a MicroSpring interconnect technology-based wafer level chip scale package using our proprietary MOST technology. MOST technology involves mounting MicroSpring contacts on the die on a wafer to be used both as the temporary connections necessary for test and as the permanent connections necessary to attach the chip to a separate component or module. MOST technology allows wafer level processing at the packaging step, providing customers a high performance, reliable, small footprint packaging solution. If customers combine our MOST technology with a wafer level test contactor, they can integrate the back-end assembly, packaging and final test process steps at the wafer level, allowing significant cost and performance advantages over traditional processing. We have also licensed our MOST technology for specific wafer-level packaging applications and our MicroSpring interconnect technology for incorporation into socket and connector applications.

Sales and Marketing

We sell our products primarily through a sales model that emphasizes the customer's total cost of ownership as it relates to test costs. With this sales model, we strive to demonstrate how test costs can be reduced by simulating the customer's test floor environment, including testers and probers, utilizing our product and comparing the overall cost of test to that of conventional wafer probe cards.

We sell our products worldwide primarily through our direct sales force, a distributor and independent sales representatives. As of March 29, 2003, we had 13 sales professionals. In North America, we sell our products through our direct sales force. In Europe, our local sales team works with independent sales representatives. In South Korea, we sell our products through our direct sales force, while in Taiwan, China and Singapore we sell through Spirox Corporation, our distributor in the region. In Japan, effective April 1, 2002, we converted from a distributor arrangement to a direct sales team that is based in Tokyo, Japan.

Our marketing staff, located in Livermore, California and Tokyo, Japan, works closely with customers to understand their businesses, anticipate trends and define products that will provide significant technical and economic advantages to our customers.

We also utilize a highly skilled team of field application engineers that support our customers as they integrate our products into their manufacturing processes. Through this process, we develop a close understanding of product and customer requirements, speeding our customers' production ramps. We plan to expand our

customer support by adding engineering services. We believe this expanded service offering will enable our customers to more fully benefit from our products and technology and create new business opportunities for us.

Manufacturing

Our wafer probe cards are custom products that we design to order for our customers' unique wafer designs. We manufacture our products at our facilities in Livermore, California. We believe that we are the first wafer probe card company to successfully utilize micro-machining and scalable semiconductor-like wafer fabrication processes for the volume production of wafer probe cards. Our proprietary manufacturing processes include wirebonding, photolithography, plating and metallurgical processes, dry and electro-deposition, and complex interconnection system design. The critical steps in our manufacturing process are performed in a Class 100 clean room environment. We also expend considerable resources on the assembly and test of our wafer probe cards and on quality control.

We have deployed state of the art shop floor controls and systems that allow our operators to monitor and optimize manufacturing flows and capacity. We also use statistical process control to further enhance the quality of our production processes.

We depend upon suppliers for some components of our manufacturing process, including ceramic substrates and complex printed circuit boards. Some of these components are supplied by a single vendor. Generally, we rely on purchase orders rather than long-term contracts with our suppliers, which subjects us to risks including price increases and component shortages. We continue to evaluate alternative sources of supply for these components.

We are subject to U.S. federal and state and foreign governmental laws and regulations relating to the protection of the environment. We believe that we comply with all material environmental laws and regulations that apply to us. In May 2003, we received a Notice of Violation from the Bay Area Air Quality Management District regarding our record keeping relating to our usage of wipe cleaning solvent. Although we introduced corrective action to prevent any continued or recurrent record keeping violation, we may still be subject to a substantial penalty based upon the unresolved Notice of Violation or required to take further action. Final resolution of this Notice of Violation could harm our operating results. New laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination at our or others' sites or the imposition of new cleanup requirements could have a negative effect on our operating results.

We maintain a repair and service capability in Livermore, California. Since 2000, we have been providing service and maintenance capabilities in our local service center in Seoul, South Korea. In 2002, we expanded our center in Seoul, South Korea to service a greater part of the Asia Pacific region, and in 2003, we opened a local repair and service center in Dresden, Germany. We plan to expand these capabilities in other geographies to provide faster response time to our customers, maximizing the uptime of their wafer probe cards.

Research and Development

The semiconductor industry is subject to rapid technological change and new product introductions and enhancements. We believe that our continued commitment to research and development and timely introduction of new and enhanced wafer probe test solutions and other technologies related to our MicroSpring interconnect technology are integral to maintaining our competitive position. We are investing considerable time and resources in creating structured processes for undertaking, tracking and completing our development projects, and plan to implement those developments into new product or technology offerings. We expect to continue to allocate significant resources to these efforts and to use automation and information technology to provide additional efficiencies in our research and development activities.

We have historically devoted on average approximately 20% of our revenues to research and development programs. Research and development expenses were $3.5 million for the three months ended March 29, 2003, $14.6 million for fiscal 2002, $14.6 million for fiscal 2001 and $12.0 million for fiscal 2000.

Our research and development and product engineering activities are directed by individuals with significant expertise and industry experience. As of March 29, 2003, we had 69 employees in research and development, of

which 62 worked on the design and development of new interconnect and contact technologies related to our core MicroSpring interconnect technology. Of these employees, 42 are engineers and 14 have PhD or MS degrees. The engineering and science disciplines represented in our research and design and product development include: polymer science, chemistry, chemical engineering, electrochemistry, metallurgy, materials science, electrical engineering, mechanical engineering, electronic packaging and computer science.

Intellectual Property

Our success depends in part upon our ability to maintain and protect our proprietary technology and to conduct our business without infringing the proprietary rights of others. We rely on a combination of patents, trade secret laws, trademarks and contractual restrictions on disclosure to protect our intellectual property rights.

As of March 29, 2003, we had 133 issued patents, of which 79 are United States patents and 54 are foreign patents. The expiration dates of these patents range from 2012 to 2022. Our issued patents cover our core interconnect technology, as well as some of our inventions related to wafer probe cards and testing, wafer-level packaging and test, sockets and assemblies and chips. In addition, as of March 29, 2003, we had 322 patent applications pending worldwide, including 120 United States applications, 182 foreign national or regional stage applications and 20 Patent Cooperation Treaty applications. We do not know whether our current patent applications, or any future patent applications that we may file, will result in a patent being issued with the scope of the claims we seek, or at all, or whether any patents we may receive will be challenged or invalidated. Even if additional patents are issued, our patents might not provide sufficiently broad coverage to protect our proprietary rights or to avoid a third party claim against one or more of our products or technologies.

We have both registered and unregistered trademarks, including FormFactor, MicroSpring, MOST and the FormFactor logo.

We routinely require our employees, customers, suppliers and potential business partners to enter into confidentiality and non-disclosure agreements before we disclose to them any sensitive or proprietary information regarding our products, technology or business plans. We require employees to assign to us proprietary information, inventions and other intellectual property they create, modify or improve.

Legal protections afford only limited protection for our proprietary rights. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Others might independently develop similar or competing technologies or methods or design around our patents. In addition, leading companies in the semiconductor industry have extensive patent portfolios and other intellectual property with respect to semiconductor technology. In the future, we might receive claims that we are infringing intellectual property rights of others or that our patents or other intellectual property rights are invalid. We have received in the past, and may receive in the future, communications from third parties inquiring about our interest in licensing certain of their intellectual property or more generally identifying intellectual property that may be of interest to us. For example, we received such a communication from Microelectronics and Computer Technology Corporation in October 2001, with a follow-up letter in January 2002, inquiring about our interest in acquiring a license to certain of their patents and technology, and from IBM Corporation in February 2002 inquiring about our interest in acquiring a license to IBM patents and technology related to high density integrated probes. Neither the Microelectronics and Computer Technology Corporation communications nor the IBM Corporation communication alleged that we were violating protected proprietary rights or threatened to initiate litigation. We have not engaged in a dialog with either company. In August 2002, subsequent to our initiating correspondence with Japan Electronic Materials Corporation regarding the scope of our intellectual property rights and the potential applicability of those rights to certain of its wafer probe cards, Japan Electronic Materials Corporation offered that precedent technologies exist as to one of our foreign patents that we had identified, and also referenced a U.S. patent in which it stated we might take interest. For the inquiries we have received to date, we do not believe we infringe any of the identified patents and technology.

We have invested significant time and resources in our technology, and it is possible that we will be required to enforce our intellectual property rights against one or more third parties. Litigation may be necessary to defend against claims of infringement or invalidity, to determine the validity and scope of our proprietary rights or those

of others, to enforce our intellectual property rights or to protect our trade secrets. Intellectual property litigation is expensive and time-consuming and could divert management's attention from running our business. If an infringement claim against us resulted in a ruling adverse to us, we could be required to pay substantial damages, cease the use or sale of infringing products, spend significant resources to develop non-infringing technology, discontinue the use of certain technology or obtain a license to the technology. We cannot predict whether a license agreement would be available, or whether the terms and conditions would be acceptable to us. In addition, many of our customer contracts contain provisions that require us to indemnify our customers for third party intellectual property infringement claims, which would increase the cost to us of an adverse ruling in such a claim. An adverse determination could also prevent us from licensing our technologies and methods to others.

Competition

The wafer probe card market is highly competitive, is comprised of many domestic and foreign companies, and has historically been fragmented with many local suppliers servicing individual customers. Recent consolidation has reduced the number of competitors. Current and potential competitors in the wafer probe card market include Cascade Microtech, Inc., ESJ Corporation, Feinmetall GmbH, Japan Electronic Materials Corporation, Kulicke and Soffa Industries, Inc., Micronics Japan Co., Ltd., MicroProbe, Inc., NanoNexus Inc., Phicom Corporation, Tokyo Cathode Laboratory Co., Ltd. and Wentworth Laboratories, Inc., among others. While some of these competitors offer wafer probe cards that address various of the performance limitations presented in wafer probe test, we believe none of them resolves all of the performance issues adequately. In many cases a competitor that solves one or more performance limitations compromises other areas of wafer probe card performance. In addition to the ability to address wafer probe card performance issues, the primary competitive factors in our industry include product quality and reliability, price, total cost of ownership, lead times, the ability to provide prompt and effective customer service, field applications support and timeliness of delivery. We believe that we compete favorably with respect to these factors.

Some of our competitors are also suppliers of other types of test equipment, or offer both advanced wafer probe cards and needle probe cards, and may have greater financial and other resources than we do. We expect that our competitors will enhance their current wafer probe products and that they may introduce new products that will be competitive with our wafer probe cards. In addition, it is possible that new competitors, including test equipment manufacturers, may offer new technologies that reduce the value of our wafer probe cards.

Additionally, semiconductor manufacturers may implement chip designs that include built-in self-test capabilities or similar functions or methodologies that increase test throughput and eliminate some or all of our current competitive advantages. Our ability to compete favorably is also negatively impacted by low volume orders that do not meet our present minimum volume requirements, by very short cycle time requirements that we cannot meet because of our design or manufacturing processes, by long-standing relationships between our competitors and certain semiconductor manufacturers, and by semiconductor manufacturer test strategies that include low performance semiconductor testers.

Employees

As of March 29, 2003, we had 299 full-time employees, including 69 in research and development, 42 in sales and marketing, 27 in general and administrative functions, and 161 in operations. By region, 267 of our employees were in North America, 20 in Japan, 10 in South Korea and two in Europe. None of our employees is covered by a collective bargaining agreement. We believe our relations with our employees are good.

Facilities

Our corporate headquarters and manufacturing facilities are located in six buildings in Livermore, California totaling approximately 73,700 square feet. We lease these facilities under lease agreements expiring between February 2004 and April 2004.

During 2001, we leased additional facilities in Livermore, California totaling approximately 119,000 square feet. The new facility, currently under construction, will be comprised of a campus of three buildings. The lease for this site commenced in stages between November 2001 and June 2002 and will expire in 2011, with options

to renew through 2031. We plan to move our operations to our new facility in 2004. We believe that the new facility will be adequate for our needs for the foreseeable future.

We also lease office, repair and service, and/or research and development space totaling approximately 12,000 square feet in Tokyo, Japan; Seoul, South Korea; Munich and Dresden, Germany; and Budapest, Hungary.

Legal Proceedings

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. As of the date of this prospectus, we are not involved in any material legal proceedings.

MANAGEMENT

Executive Officers and Directors

Our executive officers and directors, and their ages and positions as of March 29, 2003 are as follows:

Name	Age	Position
Dr. Igor Y. Khandros	48	President, Chief Executive Officer and Director
Benjamin N. Eldridge	42	Senior Vice President of Development and Chief Technical Officer
Yoshikazu Hatsukano	64	Senior Vice President of Asia-Pacific Operations and President of FormFactor K.K.
Jens Meyerhoff	38	Senior Vice President of Operations and Chief Financial Officer
Frans van Wijk	45	Senior Vice President of Marketing and Business Development
Michael M. Ludwig	41	Vice President of Human Resources and Finance, and Controller
Peter B. Mathews	40	Vice President of Worldwide Sales
Stuart L. Merkadeau	42	Vice President, General Counsel and Secretary
Harrold J. Rust	41	Vice President of Operations
Joseph R. Bronson	54	Director
Dr. William H. Davidow	67	Chairman of the Board of Directors
G. Carl Everett, Jr.	52	Director
James A. Prestridge	71	Director

Dr. Igor Y. Khandros founded FormFactor in April 1993. Dr. Khandros has served as our President and Chief Executive Officer as well as a Director since April 1993. From 1990 to 1992, Dr. Khandros served as the Vice President of Development of Tessera, Inc., a provider of chip scale packaging technology that he co-founded. From 1986 to 1990, he was employed at the Yorktown Research Center of IBM Corporation as a member of the technical staff and a manager. From 1979 to 1985, Dr. Khandros was employed at ABEX Corporation, a casting foundry and composite parts producer, as a research metallurgist and a manager, and he was an engineer from 1977 to 1978 at the Institute of Casting Research in Kiev, Russia. Dr. Khandros holds a M.S. equivalent degree in metallurgical engineering from Kiev Polytechnic Institute in Kiev, Russia, and a Ph.D. in metallurgy from Stevens Institute of Technology.

Benjamin N. Eldridge has served as our Senior Vice President of Development and Chief Technical Officer since September 2000. Mr. Eldridge also served as our Vice President of Development from June 1997 to September 2000, as our Director of Development from June 1995 to June 1997 and as our Manager of Development Engineering from November 1994 to May 1995. From 1984 to October 1994, he was employed at the TJ Watson Research Center of IBM Corporation, where he held various engineering positions in the Physical Sciences and Computer Science departments. Mr. Eldridge holds a B.S. in electrical engineering from Union College and a M.S. in physics from Rensselaer Polytechnic Institute.

Yoshikazu Hatsukano has served as our Senior Vice President of Asia-Pacific Operations since April 2001, and as the President of FormFactor K.K., our wholly owned subsidiary, since December 1998. From 1961 to October 1998, Mr. Hatsukano was employed by various companies affiliated with Hitachi, Ltd., where he held several management positions including the President of Hitachi Micro Systems, Inc. from 1991 to October 1998 and the Vice General Manager of the Hitachi Semiconductor Design and Development Center from 1990 to 1991. Mr. Hatsukano holds a B.S. in electronics from Kyoto University in Kyoto, Japan.

Jens Meyerhoff has served as our Senior Vice President of Operations since January 2003 and as our Chief Financial Officer since August 2000. He served as a Senior Vice President from August 2000 to January 2003, and as our Secretary from April 2002 to October 2002. From March 1998 to August 2000, Mr. Meyerhoff served as the Chief Financial Officer and the Senior Vice President, Materials at Siliconix Incorporated, a manufacturer of power and analog semiconductor products. From 1991 to February 1998, Mr. Meyerhoff was employed in various corporate controller and financial positions with the North American subsidiaries as well as the German

headquarters of Daimler-Benz AG. Mr. Meyerhoff holds a German Wirtschaftsinformatiker degree, which is the equivalent of a finance and information technology degree, from Daimler-Benz's Executive Training program.

Frans van Wijk has served as our Senior Vice President of Marketing and Business Development since November 2002. From September 2000 to June 2001, Mr. van Wijk was employed at ON Semiconductor, a manufacturer of advanced semiconductors, where he served as Vice President and General Manager, Broadband Business Group. From 1988 to September 2000, Mr. van Wijk held various positions at Philips Semiconductors, including Senior Vice President and General Manager, Logic Products Group, and General Manager, International Product Marketing. Mr. van Wijk holds a M.S. in electrical engineering from Delft University of Technology, in Delft, The Netherlands.

Michael M. Ludwig has served as our Vice President of Human Resources and Finance, and Controller since April 2001. From January 1999 to March 2001, Mr. Ludwig was employed at Elo TouchSystems, Inc., a touch screen manufacturing company, where he most recently served as the Vice President, Systems and Services Group. From 1989 to January 1999, Mr. Ludwig was employed by Beckman Coulter, Inc., a medical diagnostics and life sciences equipment manufacturer, and various of its subsidiaries, holding positions including Finance Director, Clinical Chemistry Division; Director, Strategic Planning and Finance; and Controller. Mr. Ludwig holds a B.S. in business administration from California State Polytechnic University at Pomona.

Peter B. Mathews has served as our Vice President of Worldwide Sales since April 1999. From March 1997 to April 1999, Mr. Mathews served as our Director, Worldwide Sales and Business Development. From May 1992 to March 1997, Mr. Mathews was employed at MicroModule Systems, a manufacturer of multichip modules and interconnect test products, where he most recently held the position of Director of Marketing and Business Development. From 1989 to May 1992, he served as the U.S. Sales Manager for the Advanced Packaging Systems Division of Raychem Corporation, a component manufacturer for electronic and energy applications that was acquired by Tyco Electronics Ltd. Mr. Mathews holds a B.S. in chemical engineering from Cornell University.

Stuart L. Merkadeau has served as our Vice President, General Counsel and Secretary since October 2002. From July 2000 to October 2002, Mr. Merkadeau served as our Vice President of Intellectual Property. From 1990 to July 2000, Mr. Merkadeau practiced law as an associate and then a partner with Graham & James LLP, where he specialized in licensing and strategic counseling in intellectual property matters. Mr. Merkadeau is admitted to practice in California and registered to practice before the U.S. Patent and Trademark Office. Mr. Merkadeau holds a B.S. in industrial engineering from Northwestern University and a J.D. from the University of California at Los Angeles.

Harrold J. Rust has served as our Vice President of Operations since March 2003. From January 2002 to February 2003, Mr. Rust served as our Vice President of Manufacturing. From April 2001 to December 2001, Mr. Rust served as our Senior Director of Probe Head Manufacturing. From 1984 to April 2001, Mr. Rust held various positions in the Storage Technology Division at IBM Corporation, including Business Operations and Planning Manager, and Manufacturing and Engineering Manager. Mr. Rust holds a B.S. in mechanical engineering from the University of California, Davis and a M.S. in mechanical engineering from Stanford University.

Joseph R. Bronson has served as a Director since April 2002. Mr. Bronson has served as an Executive Vice President of Applied Materials, Inc., a manufacturer of semiconductor wafer fabrication equipment, since December 2000, and a member of the Office of the President and the Chief Financial Officer of Applied Materials since January 1998. Mr. Bronson also served as a Senior Vice President and as the Chief Administrative Officer of Applied Materials from January 1998 to December 2000 and as Group Vice President of Applied Materials from April 1994 to January 1998. Mr. Bronson serves on the Board of Directors of one publicly traded company, Jacobs Engineering Group Inc. Mr. Bronson is a Certified Public Accountant and holds a B.S. in accounting from Fairfield University and a M.B.A. from the University of Connecticut.

Dr. William H. Davidow has served as a Director since April 1995 and as Chairman of the Board of Directors since June 1996. Since 1985, Dr. Davidow has been a general partner of Mohr, Davidow Ventures, a venture capital firm. Dr. Davidow serves as Chairman of the Board of Directors of one publicly traded company,

Rambus Inc. Dr. Davidow also serves on the board of directors of one privately held company in addition to FormFactor. Dr. Davidow holds an A.B. and a M.S. in electrical engineering from Dartmouth College, a M.S. in electrical engineering from the California Institute of Technology and a Ph.D. in electrical engineering from Stanford University.

G. Carl Everett, Jr. has served as a Director since June 2001. Mr. Everett founded GCE Ventures, a venture advisement firm, in April 2001. From February 1998 to April 2001, Mr. Everett served as Senior Vice President, Personal Systems Group of Dell Computer Corporation. During 1997, Mr. Everett was on a personal sabbatical. From 1978 to December 1996, Mr. Everett held several management positions with Intel Corporation including, Senior Vice President and General Manager of the Microprocessor Products Group and Senior Vice President and General Manager of the Desktop Products Group. Mr. Everett holds a B.A. in business administration from New Mexico State University.

James A. Prestridge has served as a Director since April 2002. Mr. Prestridge has served as a consultant for Empirix Inc., a provider of test and monitoring solutions for communications applications, since October 2001. From June 2000 to January 2001, Mr. Prestridge served as a consultant to the companies that were amalgamated into Empirix. Mr. Prestridge served as a director of Teradyne Inc., a manufacturer of automated test equipment, from May 1997 until May 2000. Mr. Prestridge was Vice-Chairman of Teradyne from January 1996 until May 2000 and served as Executive Vice President of Teradyne from 1992 until May 2000. Mr. Prestridge currently serves on the board of directors of one privately held company in addition to FormFactor. Mr. Prestridge holds a B.S. in general engineering from the U.S. Naval Academy and a M.B.A. from Harvard University. Mr. Prestridge served as a Captain in the U.S. Marine Corps.

Board of Directors

All of our current directors were elected pursuant to a voting agreement that we entered into with certain holders of our common stock and holders of our preferred stock. The holders of a majority of our common stock and Series A preferred stock, voting together on an as-converted to common stock basis, designated Dr. Khandros and Mr. Everett for election to our board of directors. The holders of a majority of our Series B preferred stock designated Dr. Davidow for election to our board. The two remaining directors, who are Messrs. Bronson and Prestridge, were designated for election to our board by a majority of our common stock and Series A preferred stock, voting together on an as-converted to common stock basis, and a majority of our Series B, Series C, Series D, Series E, Series F and Series G preferred stock, voting together on an as-converted to common stock basis. Upon the closing of this offering, these board representation rights will terminate and none of our stockholders will have any special rights regarding board representation.

Effective upon the closing of this offering, our certificate of incorporation and bylaws will authorize a board of directors of seven members and at that time, our board of directors will consist of five directors, who will be divided into three classes:

- Class I, whose term will expire at the annual meeting of stockholders expected to be held in 2004;
- Class II, whose term will expire at the annual meeting of stockholders expected to be held in 2005; and
- Class III, whose term will expire at the annual meeting of stockholders expected to be held in 2006.

As a result, only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing on our board of directors for the remainder of their terms. This classification of our board of directors may make it more difficult for a third party to acquire, or may discourage a third party from acquiring, control of our company. Effective upon the closing of this offering, the following individuals will serve as our directors:

- Dr. Khandros and Dr. Davidow will be our Class I directors;
- Mr. Everett will be our Class II director; and
- Messrs. Bronson and Prestridge will be our Class III directors.

Committees of the Board of Directors

Our board of directors has established three standing committees: the audit committee, the compensation committee and the governing committee.

Audit Committee. The audit committee reviews and evaluates our financial statements, accounting practices and our internal audit and control functions, makes recommendations to our board regarding the selection of our independent auditors and reviews the results and scope of the audit and other services provided by our independent auditors. The members of our audit committee are Messrs. Bronson, Everett and Prestridge.

Compensation Committee. The compensation committee reviews and makes recommendations to our board concerning the compensation and benefits of our officers and directors, administers our stock option and employee benefits plans and reviews general policy relating to compensation and benefits. The members of our compensation committee are Messrs. Bronson and Everett and Dr. Davidow.

Governing Committee. The governing committee considers and makes recommendations to our board of directors regarding candidates to serve as members of our board. The members of the governing committee are Messrs. Everett and Prestridge and Dr. Davidow.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee has at any time been one of our officers or employees. None of our executive officers serves or in the past has served as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving on our board of directors or our compensation committee.

Director Compensation

Effective fiscal 2003, our independent directors receive annual compensation of $12,500, compensation of $1,000 for each board meeting attended, and compensation of $500 for each board committee meeting attended. Prior to fiscal 2003, our independent directors did not receive cash compensation for their services as directors. Our directors, other than our independent directors, do not receive cash compensation for their services as directors. All of our directors, including our independent members, are reimbursed for their reasonable expenses in attending board and board committee meetings. Directors have been eligible to participate in our management incentive option plan and our 1996 stock option plan. The following directors have been granted options to purchase shares of our common stock in fiscal 2002:

- In April 2002, we granted Mr. Bronson an option under the management incentive option plan to purchase 50,000 shares of our common stock at an exercise price of $6.50 per share.
- In April 2002, we granted Mr. Prestridge an option under the management incentive option plan to purchase 50,000 shares of our common stock at an exercise price of $6.50 per share.

Each director will be eligible to participate in our 2002 equity incentive plan. Under this plan, option grants to directors who are not our employees, or employees of a parent or subsidiary of ours, will be automatic and non-discretionary. Each non-employee director who is a member of our board of directors before the date of this offering and who has not received a prior option grant will receive an option to purchase 12,500 shares of our common stock effective upon this offering. Each non-employee director who becomes a member of our board of directors on or after the date of this offering will be granted an option to purchase 12,500 shares of our common stock as of the date that director joins the board. Immediately after each annual meeting of our stockholders, each non-employee director will automatically be granted an additional option to purchase 12,500 shares of our common stock, as long as the non-employee director is a member of our board on that date and has served continuously as a member of our board for at least twelve months since the last option grant to that non-employee director. If less than twelve months has passed, then the number of shares subject to the option granted after the annual meeting will be equal to 12,500 multiplied by a fraction, the numerator of which is the number of days that have elapsed since the last option grant to that director and the denominator of which is 365 days.

Each option will have an exercise price equal to the fair market value of our common stock on the date of grant. The options will have ten-year terms and will terminate three months after the date the director ceases to be a director or consultant or twelve months if the termination is due to death or disability. All options granted to non-employee directors who first became members of our board of directors after the date of this offering will vest over a one-year period at a rate of 1/12th of the total shares granted at the end of each full succeeding month, so long as the non-employee director continuously remains our director or consultant. All succeeding option grants to non-employee directors who were members of our board of directors prior to the date of this offering will vest as to 1/12th of the total shares granted at the end of each full succeeding month from the later of the date of grant or the date when all outstanding stock options and all outstanding shares issued upon exercise of any stock options granted to the non-employee director prior to the grant of such succeeding grant have fully vested. In the event of our dissolution or liquidation or a change in control transaction, options granted to our non-employee directors under the plan will become 100% vested and exercisable in full.

Members of our board of directors, who are employees of FormFactor, or any parent or subsidiary of FormFactor and who own our common stock or hold options to purchase our common stock in an amount less than 5% of our total outstanding shares, will be eligible to participate in our 2002 employee stock purchase plan. For additional information, see "— Employee Benefit Plans and Option Grants — 2002 Employee Stock Purchase Plan."

Executive Compensation

The following table presents information regarding the compensation received during fiscal 2002 and 2001 by our chief executive officer and each of our four other most highly compensated executive officers. The compensation table excludes other compensation in the form of perquisites and other personal benefits to a named executive officer where that compensation constituted less than the lesser of $50,000 or 10% of his total annual salary and bonus for such fiscal year.

		Annual Compensation		Long-Term Compensation Awards
Name and Principal Position	Year	Salary	Bonus	Securities Underlying Options
Dr. Igor Y. Khandros	2002	$252,756	$115,800	—
President and Chief Executive Officer	2001	228,923	27,943	—
Benjamin N. Eldridge	2002	201,387	77,760	94,500
Senior Vice President of Development and Chief Technical Officer	2001	190,769	18,629	52,105
Yoshikazu Hatsukano	2002	237,815(1)	89,115	31,500
Senior Vice President of Asia-Pacific Operations and President of FormFactor K.K.	2001	200,495(2)	20,750(2)	43,770
Jens Meyerhoff	2002	209,849	77,760	142,500
Senior Vice President of Operations and Chief Financial Officer	2001	190,077	15,046	102,485
Peter B. Mathews	2002	251,179(3)	—	58,500
Vice President of Worldwide Sales	2001	271,565(4)	—	35,000

(1) The U.S. dollar equivalent of the salary, which is paid to Mr. Hatsukano in Japanese Yen, is calculated using the exchange rate at December 27, 2002 of one U.S. dollar to 119.92 Japanese Yen.

(2) The U.S. dollar equivalent of the salary and bonus, which is paid to Mr. Hatsukano in Japanese Yen, is calculated using the exchange rate at December 28, 2001 of one U.S. dollar to 131.30 Japanese Yen.

(3) Includes $88,099 in sales commissions.

(4) Includes $121,969 in sales commissions.

Option Grants in Fiscal 2002

The following table presents information regarding grants of stock options during fiscal 2002 to the executive officers named in the executive compensation table above. We granted these options to the named executive officers under our management incentive option plan. All of the options listed on the following table expire ten years from the date of grant and were granted at an exercise price equal to the fair market value of our

common stock as determined by our board of directors on the date of grant. The percentage of total options granted to employees in fiscal 2002 is based on options to purchase a total of 1,999,243 shares of our common stock granted in fiscal 2002.

	Individual Grants				Potential Realizable Value At Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share	Expiration Date	5%	10%
Dr. Igor Y. Khandros	—	—%	$ —	—	$ —	$ —
Benjamin N. Eldridge	63,000	3.2	6.50	4/17/12	616,704	1,224,558
	31,500	1.6	6.50	4/17/12	308,352	612,279
Yoshikazu Hatsukano	31,500	1.6	6.50	4/17/12	308,352	612,279
Jens Meyerhoff	95,000	4.8	6.50	4/17/12	929,950	1,846,555
	47,500	2.4	6.50	4/17/12	464,975	923,278
Peter B. Mathews	39,000	2.0	6.50	4/17/12	381,769	758,060
	19,500	1.0	6.50	4/17/12	190,884	379,030

Potential realizable values are calculated by:

- multiplying the number of shares of our common stock subject to a given option by the assumed initial public offering price of $10.00 per share;
- assuming that the aggregate stock value derived from that calculation compounds at the annual 5% or 10% rates shown in the table for the entire ten-year term of the option; and
- subtracting from that result the total option exercise price.

The 5% and 10% assumed annual rates of stock price appreciation are required by the rules of the Securities and Exchange Commission and do not represent our estimate or projection of future stock price growth. Actual gains, if any, on stock option exercises will be dependent on the future performance of our common stock.

The options for 63,000 shares of our common stock granted to Mr. Eldridge vest in 12 equal monthly increments beginning on November 21, 2005 and the option for 31,500 shares vests in 12 equal monthly increments beginning on November 21, 2006. The option granted to Mr. Hatsukano vests in 12 equal monthly increments beginning on December 1, 2005. The options for 95,000 shares of our common stock granted to Mr. Meyerhoff vest in 12 equal monthly increments beginning on August 7, 2005 and the option for 47,500 shares vests in 12 equal monthly increments beginning on August 7, 2006. The options for 39,000 shares of our common stock granted to Mr. Mathews vest in 12 equal monthly increments beginning on March 6, 2005 and the option for 19,500 shares vests in 12 equal monthly increments beginning on March 6, 2006. These options provide that the optionholder will receive credit for an additional 12 months of service when calculating the number of shares of our common stock that vest after a change in control of FormFactor where the officer's employment is terminated without cause within 12 months following the change in control transaction.

Aggregate Option Exercises in Fiscal 2002

The following table presents the number of shares of our common stock subject to unexercised options held by the executive officers named in the executive compensation table above at December 28, 2002 and the value of the unexercised options that are in-the-money. This value is calculated based on the difference between an assumed initial public offering price of $10.00 per share and the exercise price for the shares underlying the

option, multiplied by the number of shares. None of the named executive officers exercised any options to purchase our common stock in fiscal 2002.

Name	Number of Securities Underlying Unexercised Options at December 28, 2002		Value of Unexercised In-The-Money Options at December 28, 2002	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Dr. Igor Y. Khandros	—	—	$ —	$ —
Benjamin N. Eldridge	316,605	—	1,525,618	—
Yoshikazu Hatsukano	195,270	—	983,445	—
Jens Meyerhoff	344,985	—	1,307,448	—
Peter B. Mathews	173,000	—	793,250	—

Change of Control and Severance Agreements

In September 2001, our board adopted our key management bonus plan, which provides awards to our chief executive officer, senior vice presidents and vice presidents based upon the target percentage achievement of corporate objectives and personal objectives for these individuals. If a change in control of FormFactor occurs, all bonus awards will be deemed to have been earned at 100% of the bonus target percentage for the current plan year and will be paid to the participants at that time. This plan is administered by the compensation committee of our board of directors. For additional information, see "— Employee Benefit Plans and Option Grants — Key Management Bonus Plan."

Our current stock option agreements for our officers provide that the optionholder will receive credit for an additional 12 months of service when calculating the number of shares of our common stock that vest after a change in control of FormFactor where the officer's employment is terminated without cause within 12 months following the change in control transaction. For additional information, see "— Employee Benefit Plans and Option Grants."

We have entered into an agreement with Mr. Hatsukano, our Senior Vice President of Asia-Pacific Operations and the President of FormFactor K.K., that provides that if his employment is terminated, he will receive a severance payment equal to one month's base salary for each year of service with us with service for partial years to be prorated. If Mr. Hatsukano's employment is terminated for reasons other than cause, he will receive an additional lump sum payment equal to one month's base salary.

Employee Benefit Plans and Option Grants

Incentive Option Plan

As of March 29, 2003, options to purchase 1,574,800 shares of our common stock were outstanding under our incentive option plan and 3,020,398 shares were available for future option grants. The options had a weighted average exercise price of $5.55 per share. Our employees who have an annual base salary equal to or greater than $60,000 are eligible to receive awards under the incentive option plan. Awards can be incentive stock options, nonqualified stock options, or any combination of the two. No options will be granted under our incentive option plan after this offering. However, any outstanding options granted under our incentive option plan will remain outstanding and subject to our incentive option plan and related stock option agreements until they are exercised or until they terminate or expire by their terms. Options granted under our incentive option plan are subject to terms substantially similar to those described below with respect to options granted under our 2002 equity incentive plan.

Management Incentive Option Plan

As of March 29, 2003, options to purchase 1,435,730 shares of our common stock were outstanding under our management incentive option plan and 93,827 shares were available for future option grants. The options had a weighted average exercise price of $6.20 per share. Our employees, consultants and directors are eligible to receive awards under the management incentive option plan. Awards can be incentive stock options, nonqualified

stock options, or any combination of the two. No options will be granted under our management incentive option plan after this offering. However, any outstanding options granted under our management incentive option plan will remain outstanding and subject to our management incentive option plan and related stock option agreements until they are exercised or until they terminate or expire by their terms. Options granted under our management incentive option plan are subject to terms substantially similar to those described below with respect to options granted under our 2002 equity incentive plan.

1995 Stock Plan and 1996 Stock Option Plan

As of March 29, 2003, options to purchase 25,000 shares of our common stock were outstanding under our 1995 stock plan and no shares were available for future option grants. The options outstanding under the 1995 stock plan had a weighted average exercise price of $0.12 per share. Our employees and consultants were eligible to receive awards under the 1995 stock plan. As of March 29, 2003, options to purchase 2,639,498 shares of our common stock were outstanding under our 1996 stock option plan and 123,083 shares of our common stock remained available for future option grants. The options outstanding under the 1996 stock option plan had a weighted average exercise price of $5.47 per share. Our employees, consultants and directors are eligible to receive awards under the 1996 stock option plan. No options will be granted under our 1996 stock option plan after this offering. However, any outstanding options granted under our 1995 stock plan or 1996 stock option plan will remain outstanding and subject to our 1995 stock plan and 1996 stock option plan, as applicable, and related stock option agreements until they are exercised or until they terminate or expire by their terms. Options granted under our 1995 stock plan or 1996 stock option plan are subject to terms substantially similar to those described below with respect to options granted under our 2002 equity incentive plan.

2002 Equity Incentive Plan

In April 2002 our board of directors adopted and in May 2002 our stockholders approved our 2002 equity incentive plan. The 2002 equity incentive plan will become effective on the date of this prospectus and will serve as the successor to our previously existing stock option plans. The 2002 equity incentive plan authorizes the award of options, restricted stock and stock bonuses.

Our 2002 equity incentive plan will be administered by the compensation committee of our board of directors, each member of which is an outside director as defined under applicable federal tax laws. Our compensation committee will have the authority to interpret this plan and any agreement entered into under the plan, grant awards and make all other determinations for the administration of the plan.

Our 2002 equity incentive plan provides for the grant of both incentive stock options that qualify under Section 422 of the Internal Revenue Code and nonqualified stock options. The incentive stock options may be granted only to our employees or employees of any of our subsidiaries. The nonqualified stock options, and all awards other than incentive stock options, may be granted to our employees, officers, directors, consultants, independent contractors and advisors and those of any of our subsidiaries. However, consultants, independent contractors and advisors are only eligible to receive awards if they render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction. The exercise price of incentive stock options must be at least equal to the fair market value of our common stock on the date of grant. The exercise price of incentive stock options granted to 10% stockholders must be at least equal to 110% of the fair market value of our common stock on the date of grant.

The maximum term of the options granted under our 2002 equity incentive plan is ten years. The awards granted under this plan may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of the optionee only by the optionee. Our compensation committee may allow exceptions to this restriction for awards that are not incentive stock options. Options granted under our 2002 equity incentive plan expire one month after the termination of the optionee's service to us or to a parent or subsidiary of ours for cause, three months if the termination is for reasons other than death, disability or cause, or 12 months if the termination is due to death or disability. In the event of a liquidation, dissolution or change in control transaction, except for options granted to non-employee directors, the options may be assumed or substituted by the successor company. Except for options granted to non-employee directors,

options that are not assumed or substituted will expire on the transaction at the time and on the conditions as our compensation committee will determine. In the event of a change in control transaction in which an optionee, other than a non-employee director, is terminated without cause within 12 months following the change in control, our current stock option agreements provide for 12 months of accelerated vesting of the optionee's shares of our common stock.

We have reserved 500,000 shares of our common stock for issuance under the 2002 equity incentive plan. The number of shares reserved for issuance under this plan will be increased by:

- the number of shares of our common stock reserved under our incentive option plan, management incentive option plan and 1996 stock option plan that are not issued or subject to outstanding grants on the date of this prospectus;
- the number of shares of our common stock issued under our incentive option plan, management incentive option plan, 1995 option plan or 1996 stock option plan that we repurchase at the original purchase price; and
- the number of shares of our common stock issuable upon exercise of options granted under our incentive option plan, management incentive option plan, 1995 option plan or 1996 stock option plan that expire or become unexercisable at any time after this offering without having been exercised in full.

In addition, under the terms of our 2002 equity incentive plan, the number of shares of our common stock reserved for issuance under the plan will increase automatically on January 1 of each year starting in 2004 by an amount equal to 5% of our total outstanding shares as of the immediately preceding December 31.

Shares available for grant and issuance under our 2002 equity incentive plan include:

- shares of our common stock issuable upon exercise of an option granted under this plan that is terminated or cancelled before the option is exercised;
- shares of our common stock issued upon exercise of any option granted under this plan that we repurchase at the original purchase price;
- shares of our common stock subject to awards granted under this plan that are forfeited or that we repurchase at the original issue price; and
- shares of our common stock subject to stock bonuses granted under this plan that otherwise terminate without shares being issued.

During any calendar year, no person will be eligible to receive more than 1,000,000 shares, or 3,000,000 shares in the case of a new employee, under our 2002 equity incentive plan. Our 2002 equity incentive plan will terminate in 2012, unless it is terminated earlier by our board of directors.

2002 Employee Stock Purchase Plan

In April 2002 our board of directors adopted and in May 2002 our stockholders approved our 2002 employee stock purchase plan. The 2002 employee stock purchase plan will become effective on the date that the registration statement that we filed with the Securities and Exchange Commission for this offering is declared effective by the Securities and Exchange Commission. The employee stock purchase plan is designed to enable eligible employees to purchase shares of our common stock at a discount on a periodic basis.

Our compensation committee will administer the 2002 employee stock purchase plan. Our employees generally will be eligible to participate in this plan if they are employed by us, or a subsidiary of ours that we designate, for more than 20 hours per week and more than five months in a calendar year. Our employees are not eligible to participate in our 2002 employee stock purchase plan if they are 5% stockholders or would become 5% stockholders as a result of their participation in the plan. Under the 2002 employee stock purchase plan, eligible employees may acquire shares of our common stock through payroll deductions, or through a single lump sum cash payment in the case of the first offering period. Our eligible employees may select a rate of payroll deduction

between 1% and 15% of their cash compensation. For the first offering period, employees will automatically be granted an option based on 15% of their cash compensation during the first purchase period. An employee's participation in this plan will end automatically upon termination of employment for any reason. In the event of a change in control transaction, this plan will continue with regard to any offering periods that commenced prior to the closing of the proposed transaction and shares will be purchased based on the fair market value of the surviving corporation's stock on each purchase date, unless otherwise provided by our compensation committee.

No participant will be able to purchase shares having a fair market value of more than $25,000, determined as of the first day of the applicable offering period, for each calendar year in which the employee participates in the 2002 employee stock purchase plan. Except for the first offering period, each offering period will be for two years and will consist of four six-month purchase periods. The first offering period is expected to begin on the first day on which price quotations are available for our common stock on the Nasdaq National Market. The first purchase period may be more or less than six months long. After that, the offering periods will begin on February 1 and August 1. The purchase price for shares of our common stock purchased under the 2002 employee stock purchase plan will be 85% of the lesser of the fair market value of our common stock on the first day of the applicable offering period or the last day of each purchase period. Our compensation committee will have the power to change the starting date of any later offering period, the purchase date of a purchase period and the duration of any offering period or purchase period without stockholder approval if this change is announced before the relevant offering period or purchase period. Our 2002 employee stock purchase plan is intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code.

We have reserved 1,500,000 shares of our common stock for issuance under the 2002 employee stock purchase plan. The number of shares reserved for issuance under the plan will increase automatically on January 1 of each year, starting in 2004, by an amount equal to 1% of our total outstanding shares as of the immediately preceding December 31. Our board of directors or compensation committee may reduce the amount of the increase in any particular year. The 2002 employee stock purchase plan will terminate in April 2012, unless it is terminated earlier by our board of directors.

Key Management Bonus Plan

In September 2001, our board adopted our key management bonus plan, which provides awards to our chief executive officer, senior vice presidents, vice presidents and other employees based upon the percentage achievement of corporate objectives and personal objectives for these individuals. Bonus target percentages for these awards for each participant level are established for each fiscal year. Corporate objectives are also established for each fiscal year. In fiscal 2003, the corporate objectives are bookings, net sales and operating margin for our company. Personal objectives are determined by the participants in consultation with their immediate supervisors and these objectives are generally critical to the success of the participant in our company and relate to the overall business priorities of FormFactor. For each participant, percentage participation rates are based upon the level of that individual's responsibility and the scope of that individual's work in our organization. In the event of a change of control of FormFactor, all bonus awards will be deemed to have been earned at 100% of the bonus target percentage for the current plan year and will be paid to the participants at that time. This plan is administered by the compensation committee of our board of directors.

Sales Incentive Plan

We have implemented a sales incentive plan that provides incentive commissions to each member of our sales force who is a vice president, director, area manager or regional manager. These commissions are based upon bookings for the region in which the sales member participates and upon management objectives regarding our revenues, backlog and market share. The commissions of each participating member of our sales force are calculated based upon a percentage of that member's base salary with the commission allocated between the bookings targets and the management buy objectives. These incentive commissions are paid on a quarterly basis.

401(k) Plan

We sponsor a defined contribution plan intended to qualify under Section 401 of the Internal Revenue Code, or a 401(k) Plan. Employees are generally eligible to participate in this plan. Participants may make pre-tax contributions to the plan of up to 25% of their eligible earnings, subject to a statutorily prescribed annual limit. Each participant is fully vested in his or her contributions and the investment earnings. We may make matching contributions on a discretionary basis to the 401(k) Plan but had not done so as of March 29, 2003. Contributions by us, if any, would generally be deductible by us when made. Contributions are held in trust as required by law. Individual participants may direct the trustee to invest their accounts in authorized investment alternatives.

Indemnification of Directors and Officers and Limitation of Liability

Our certificate of incorporation eliminates the personal liability of a director for monetary damages resulting from any breach of his fiduciary duty as a director, except for liability:

- for any breach of the director's duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- for unlawful payments of dividends or unlawful stock repurchases, redemptions or other distributions; or
- for any transaction from which the director derived an improper personal benefit.

Our bylaws provide that:

- we are required to indemnify our directors and officers to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions where indemnification is not permitted by applicable law;
- we are required to advance expenses, as incurred, to our directors and officers in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions; and
- the rights conferred in the bylaws are not exclusive.

In addition to the indemnification required in our certificate of incorporation and bylaws, we intend to enter into indemnification agreements with each of our current directors and executive officers, which may, in some cases, be broader than the indemnification provisions set forth under Delaware law. These agreements will provide for the indemnification of our directors and executive officers for all expenses and liabilities incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were our agents. We also intend to obtain directors' and officers' insurance to cover our directors, officers and some of our employees for liabilities, including liabilities under securities laws. We believe that these indemnification provisions and agreements and this insurance are necessary to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions. At present, there is no pending litigation or proceeding involving any of our directors, officers or employees regarding which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

RELATED PARTY TRANSACTIONS

Since December 27, 1999, we have not been a party to, and we have no plans to be a party to, any transaction or series of similar transactions in which the amount involved exceeded or will exceed $60,000 and in which any current director, executive officer, holder of more than 5% of our common stock or entities affiliated with them had or will have an interest, other than as described under “Management” and in the transactions described below.

Stock Sales to Insiders

The following table summarizes purchases of our common stock since December 27, 1999 by our executive officers, directors and holders of more than 5% of our common stock.

Purchaser	Shares of Common Stock	Total Purchase Price	Date of Purchase
Dr. Igor Y. Khandros President, Chief Executive Officer and Director	100,000	$600,000	11/14/00
Jens Meyerhoff Senior Vice President of Operations and Chief Financial Officer	100,000	550,000	10/17/00
Stuart L. Merkadeau Vice President, General Counsel and Secretary	36,363	199,997	10/17/00
Dr. William H. Davidow Chairman of the Board of Directors	100,000	650,000	3/13/02
Joseph R. Bronson Director	10,000	65,000	5/2/02

The following table summarizes purchases of our preferred stock since December 27, 1999 by our executive officers, directors and holders of more than 5% of our outstanding stock and entities affiliated with them. We sold 633,130 shares of our Series F preferred stock from September 2000 to November 2000 at $11.00 per share. If we sell common stock at or above $11.00 in this offering, each share of Series F preferred stock will convert upon the closing of this offering into one share of common stock. If we sell common stock below $11.00 per share in this offering, the conversion ratio of the Series F preferred stock will be adjusted pursuant to a defined adjustment formula. As a result of that adjustment, each share of Series F preferred stock would convert upon the closing of this offering into more than one share of common stock.

Purchaser	Shares of Series F Preferred Stock
Yoshikazu Hatsukano Senior Vice President of Asia-Pacific Operations and President of FormFactor K.K.	5,000
James A. Prestridge Director	348

Registration Rights

We have entered into an investors’ rights agreement with each of the purchasers of preferred stock listed above. Under this agreement, these and other stockholders and warrant holders are entitled to registration rights with respect to their shares of common stock issuable upon the automatic conversion of their preferred stock upon the closing of this offering. For additional information, see “Description of Capital Stock — Registration Rights.”

Loans to Executive Officers

In connection with exercises of options to purchase our common stock, the following executive officers delivered full recourse promissory notes, each with a six-year term and bearing interest at the annual rate indicated below, compounded semi-annually, on the dates and in the amounts in the table below. These notes are secured by the shares purchased by the executive officer or director.

Borrower	Principal Amount	Interest Rate	Loan Date	Shares Purchased
Dr. Igor Y. Khandros President, Chief Executive Officer and Director	$599,900	5.92%	11/14/00	100,000
Benjamin N. Eldridge	80,000	5.51	2/27/98	100,000
Senior Vice President of Development and	4,500	6.29	8/05/97	45,000
Chief Technical Officer	9,874	5.91	4/08/97	59,840
Jens Meyerhoff Senior Vice President of Operations and Chief Financial Officer	549,900	6.00	10/17/00	100,000
Peter B. Mathews Vice President of Worldwide Sales	8,663	5.91	4/08/97	52,500
Stuart L. Merkadeau Vice President, General Counsel and Secretary	199,960	6.00	10/17/00	36,363

As of March 29, 2003, the principal amount of and the accrued interest on these loans were outstanding. The executive officers who are selling stockholders have agreed to repay the outstanding principal of and unpaid accrued interest on their respective loans and to pay the related tax liability in full from the net proceeds that they will receive from the shares of common stock that they sell in this offering.

On February 1, 2001, we loaned $150,000 to Mr. Merkadeau, our Vice President, General Counsel and Secretary, under a loan agreement. This loan is evidenced by a full recourse promissory note with an interest rate of 5.01% per year, compounded semiannually. This loan is secured by up to 125,000 shares of our common stock that are issuable to Mr. Merkadeau under a stock option agreement. This loan is due and payable upon the earliest to occur of the sale of his residence or February 1, 2007. As of March 29, 2003, the entire principal amount and the accrued interest of this loan were outstanding. Mr. Merkadeau who is a selling stockholder has agreed to repay in full the outstanding principal of and unpaid accrued interest on this loan and to pay the related tax liability, in part from the net proceeds that he will receive from the shares of common stock that he sells in this offering.

Indemnification Agreements

We intend to enter into indemnification agreements with each of our current directors and executive officers. These agreements will require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to FormFactor, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and executive officers.

Relationships with Intel Corporation

In connection with the purchase by Intel Corporation of our preferred stock in August 1997, we provided to Intel registration rights with respect to their shares of our common stock issuable upon the automatic conversion of their preferred stock under an investors' rights agreement. We have entered into agreements with Intel Corporation under which we sell to them our wafer probe cards and related services. The agreements do not obligate Intel to purchase our products. We sell products based on Intel purchase orders and the terms of the agreements. Under these agreements, we price our products and services to Intel at the lowest price that is charged to any of our other customers for the same products and services. We received $7.0 million in the three months ended March 29, 2003 and $21.2 million in fiscal 2002 from sales of our wafer probe cards and related installation, training and support services to Intel.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table presents information regarding the beneficial ownership of our common stock as of March 29, 2003, and as adjusted to reflect the sale of our common stock in this offering, for:

- each person or entity known by us to own beneficially more than 5% of our common stock;
- each of our current directors;
- each of our current executive officers;
- all of our current directors and executive officers as a group; and
- all selling stockholders.

The percentage of beneficial ownership for the following table is based on 27,752,332 shares of our common stock outstanding as of March 29, 2003, assuming the automatic conversion of all 23,002,626 of our outstanding shares of preferred stock into 23,047,274 shares of our common stock, which will occur upon the closing of this offering. The percentage of beneficial ownership after the offering is based on 32,912,970 shares of our common stock outstanding after this offering, assuming no exercise of the underwriters' over-allotment option.

Beneficial ownership is determined under the rules and regulations of the Securities and Exchange Commission and does not necessarily indicate beneficial ownership for any other purpose. Under these rules, beneficial ownership includes those shares of common stock over which the stockholder has sole or shared voting or investment power. It also includes shares of common stock that the stockholder has a right to acquire within 60 days of March 29, 2003 through the exercise of any option, warrant or other right, and restricted shares of our common stock, which are subject to a lapsing right of repurchase at their initial purchase price, purchased by some of our officers who exercised immediately exercisable options. The percentage ownership of the outstanding common stock, however, is based on the assumption, expressly required by the rules and regulations of the Securities and Exchange Commission, that only the person or entity whose ownership is being reported has exercised options or warrants into shares of our common stock.

The following table excludes option grants to the selling stockholders that our board of directors approved that are effective upon the determination by the pricing committee of our board of directors of the initial public offering price of our common stock in this offering. These options will be exercisable for common stock and have an exercise price equal to the initial public offering price listed on the cover page of this prospectus. Dr. Igor Khandros will receive an option for 104,228 shares, Benjamin Eldridge will receive an option for 16,903 shares, Jens Meyerhoff will receive an option for 82,852 shares and Stuart Merkadeau will receive an option for 29,496 shares. The remaining selling stockholders, other than one, will receive in the aggregate options for 81,107 shares of our common stock.

To our knowledge, except under community property laws or as otherwise noted, the persons named in the table have sole voting and sole investment power with respect to all shares beneficially owned. Unless otherwise indicated, each 5% stockholder listed below maintains a mailing address of c/o FormFactor, Inc., 2140 Research Drive, Livermore, California 94550.

Name of Beneficial Owner	Shares Beneficially Owned Prior to Offering		Shares Being Offered	Shares Beneficially Owned After Offering	
	Number	Percent		Number	Percent
Dr. Igor Y. Khandros(1)	6,100,000	22.0%	104,228	5,995,772	18.2%
Dr. William H. Davidow(2)	5,328,281	19.2	—	5,328,281	16.2
Entities affiliated with Mohr, Davidow Ventures					
Entities affiliated with Institutional Venture Partners(3)	2,321,299	8.4	—	2,321,299	7.1
Entities affiliated with Morgan Stanley Venture Partners(4)	2,082,320	7.5	—	2,082,320	6.3
Intel Corporation	1,775,821	6.4	—	1,775,821	5.4
Benjamin N. Eldridge(5)	648,327	2.3	22,804	625,523	1.9
Jens Meyerhoff(6)	444,985	1.6	82,852	362,133	1.1
Yoshikazu Hatsukano(7)	350,339	1.3	—	350,339	1.1
Stuart L. Merkadeau(8)	242,077	*	73,251	168,826	*
Peter B. Mathews(9)	225,500	*	—	225,500	*
Frans van Wijk(10)	220,000	*	—	220,000	*
Harrold J. Rust(11)	123,750	*	—	123,750	*
Michael M. Ludwig(12)	122,250	*	—	122,500	*
G. Carl Everett, Jr.(13)	100,000	*	—	100,000	*
James A. Prestridge(14)	63,753	*	—	63,753	*
Joseph R. Bronson(15)	50,000	*	—	50,000	*
All current executive officers and directors as a group (13 persons)(16)	14,019,262	47.4	283,135	13,736,127	39.5
Gaetan Mathieu(17)	480,750	1.7	7,712	473,038	1.4
Carl Reynolds(18)	214,170	*	31,871	182,299	*
Alistair N. Sporck(19)	197,670	*	2,106	195,564	*
Thomas Dozier(20)	160,358	*	1,318	159,040	*
Mark Brandemuehl(21)	158,010	*	9,623	148,387	*
Lawrence Levy(22)	150,700	*	1,010	149,690	*
Gary Grube(23)	133,750	*	1,748	132,002	*
Charles Miller(24)	132,893	*	11,106	121,787	*
Roy J. Henson(25)	96,950	*	3,252	93,698	*
Sung M. Kim(26)	96,175	*	1,048	95,127	*
Mark Zeni(27)	95,064	*	18,182	76,882	*
Alec Madsen(28)	92,150	*	12,839	79,311	*
Gayle Herman(29)	81,475	*	797	80,678	*
Michael Armstrong(30)	79,750	*	1,053	78,697	*
Randall Y. Lee(31)	52,800	*	7,895	44,905	*
All selling stockholders as a group (19 persons)(32)	9,658,054	32.5%	394,695	9,263,359	26.5%

* Represents beneficial ownership of less than 1%.

(1) Includes 2,500,000 shares held by Susan Bloch, Dr. Khandros' spouse, 500,000 shares held by The Khandros 1997 Trust I U/T/A dated March 28, 1997 and 500,000 shares held by The Khandros 1997 Trust II U/T/A dated March 28, 1997. Also includes 100,000 unvested shares that are, as of March 29, 2003, subject to our lapsing right of repurchase at the initial purchase price for these shares.

(2) Includes 160,361 shares held by Dr. Davidow, one of our directors, which includes 68,750 unvested shares that are, as of March 29, 2003, subject to our lapsing right of repurchase at the initial purchase price for these shares. Also includes 75,000 shares held by Chachagua Partnership, of which Dr. Davidow is a general partner. Also includes 4,905,082 shares held by Mohr, Davidow Ventures IV, L.P. and 187,838 shares held by MDV IV Entrepreneurs' Network Fund, L.P. Dr. Davidow is a general partner of Mohr, Davidow Ventures IV, L.P. and MDV IV Entrepreneurs' Network Fund, L.P. Dr. Davidow disclaims beneficial ownership of the shares held by these funds except to the extent of his pecuniary interest in these funds. The address of these funds and Dr. Davidow is 3000 Sand Hill Road, Building 3, Suite 290, Menlo Park, California 94025.

(3) Includes 2,168,636 shares held by Institutional Venture Partners VII, L.P., 81,027 shares held by IVP Founders Fund I, L.P., and 36,636 shares held by Institutional Venture Management VII, L.P. Institutional Venture Management VI, L.P. is the general partner of IVP Founders Fund I, L.P. and Institutional Venture Management VII, L.P. is the general partner of Institutional Venture Partners VII, L.P. Also includes 35,000 shares held by T. Peter Thomas, who is a general partner of Institutional Venture Management VI, L.P. and Institutional Venture Management VII, L.P. The address of these funds and Mr. Thomas is 3000 Sand Hill Road, Building 2, Suite 290, Menlo Park, California 94025.

(4) Represents 1,881,654 shares held by Morgan Stanley Venture Partners III, L.P., 180,666 shares held by Morgan Stanley Venture Investors III, L.P. and 20,000 shares held by Morgan Stanley Venture Partners III, L.L.C. Morgan Stanley Venture Partners III, L.L.C. is the general partner of each of Morgan Stanley Venture Partners III, L.P. and Morgan Stanley Venture Investors III, L.P. The address of these funds is 1585 Broadway, 38th floor, New York, New York 10036.

(5) Includes 316,605 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 90,438 will be vested and 226,167 will be unvested.

(6) Includes 344,985 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 53,109 will be vested and 291,876 will be unvested. Excludes 50,000 shares issuable upon exercise of options, which were granted in May 2003, that are exercisable within 60 days of March 29, 2003.

(7) Includes 5,000 shares of Series F preferred stock that will convert into 5,069 shares of our common stock upon the closing of this offering. Includes 195,270 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 81,770 will be vested and 113,500 will be unvested.

(8) Includes 205,714 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 59,558 will be vested and 146,156 will be unvested. Includes 6,060 unvested shares that are, as of March 29, 2003, subject to our lapsing right of repurchase at the initial purchase price for these shares.

(9) Includes 173,000 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 54,500 will be vested and 118,500 will be unvested.

(10) Represents 220,000 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, all of which will be unvested. Options for 204,616 of such shares are held by the 2000 van Wijk/ van Wijk-Hochhausen Family Trust.

(11) Represents 123,750 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 32,811 will be vested and 90,939 will be unvested.

(12) Represents 122,250 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 34,791 will be vested and 87,459 will be unvested.

(13) Includes 25,000 shares held by ACE 2002 Retained Annuity Trust and 25,000 shares held by GCE 2002 Retained Annuity Trust. Also includes 50,000 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 23,958 will be vested and 26,042 will be unvested.

(14) Includes 13,748 shares of preferred stock held of record by the Prestridge 1989 Family Trust that will convert into 13,753 shares of our common stock upon the closing of this offering. Includes 50,000 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 14,583 will be vested and 35,417 will be unvested.

(15) Includes 40,000 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 4,583 will be vested and 35,417 will be unvested.

(16) Includes 174,810 unvested shares that are, as of March 29, 2003, subject to our lapsing right of repurchase at the initial purchase price for these shares, and 1,841,574 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 450,101 will be vested and 1,391,473 will be unvested. Excludes 50,000 shares issuable upon exercise of options, which were granted in May 2003 to Mr. Meyerhoff, that are exercisable within 60 days of March 29, 2003.

(17) Includes 120,750 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 50,250 will be vested and 70,500 will be unvested. Mr. Mathieu is an employee of FormFactor.

(18) Includes 64,170 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 23,670 will be vested and 40,500 will be unvested. Mr. Reynolds is an employee of FormFactor.

(19) Includes 137,670 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 59,003 will be vested and 78,667 will be unvested. Mr. Sporck is an employee of FormFactor.

(20) Includes 1,250 shares held by Lucy G. Dozier, the mother of Mr. Dozier. Includes 10,000 shares of Series F preferred stock that will convert into 10,139 shares of our common stock upon the closing of this offering. Includes 86,919 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 46,819 will be vested and 40,100 will be unvested. Mr. Dozier is an employee of FormFactor.

(21) Includes 6,000 shares of Series F preferred stock that will convert into 6,083 shares of our common stock upon the closing of this offering. Includes 111,927 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 50,760 will be vested and 61,167 will be unvested. Mr. Brandemuehl is an employee of FormFactor.

(22) Includes 85,880 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 53,255 will be vested and 32,625 will be unvested. Mr. Levy is an employee of FormFactor.

(23) Includes 54,448 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 28,643 will be vested and 25,805 will be unvested. Mr. Grube is an employee of FormFactor.

(24) Includes 92,893 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 41,118 will be vested and 51,775 will be unvested. Mr. Miller is an employee of FormFactor.

(25) Includes 51,950 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 13,533 will be vested and 38,417 will be unvested. Mr. Henson is an employee of FormFactor.

(26) Includes 48,595 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 18,575 will be vested and 30,020 will be unvested. Mr. Kim is an employee of FormFactor.

(27) Includes 74,155 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 41,810 will be vested and 32,345 will be unvested. Includes 3,788 unvested shares that are, as of March 29, 2003, subject to our lapsing right of repurchase at the initial purchase price for these shares. Mr. Zeni is an employee of FormFactor.

(28) Includes 92,150 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 61,883 will be vested and 30,267 will be unvested. Mr. Madsen is an employee of FormFactor.

(29) Includes 43,975 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 29,200 will be vested and 14,775 will be unvested. Ms. Herman is an employee of FormFactor.

(30) Includes 49,750 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 18,595 will be vested and 31,155 will be unvested. Mr. Armstrong is an employee of FormFactor.

(31) Includes 22,800 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which none will be vested and 22,800 will be unvested. Mr. Lee is an employee of FormFactor.

(32) Includes 16,000 shares of Series F preferred stock that will convert into 16,222 shares of our common stock upon the closing of this offering. Includes 109,848 unvested shares that are, as of March 29, 2003, subject to our lapsing right of repurchase at the initial purchase price for these shares. Includes 2,005,336 shares issuable upon exercise of options that are exercisable within 60 days of March 29, 2003, of which 740,219 will be vested and 1,265,117 will be unvested. Excludes 50,000 shares issuable upon exercise of options, which were granted in May 2003 to Mr. Meyerhoff, that are exercisable within 60 days of March 29, 2003.

DESCRIPTION OF CAPITAL STOCK

General

Immediately following the closing of this offering, our authorized capital stock will consist of 250,000,000 shares of common stock, $.001 par value per share, and 10,000,000 shares of undesignated preferred stock, $.001 par value per share. As of March 29, 2003, we had outstanding 27,752,332 shares of our common stock, assuming the automatic conversion of all 23,002,626 of our outstanding shares of preferred stock into 23,047,274 shares of our common stock, which will occur upon the closing of this offering. As of March 29, 2003, we had 294 stockholders of record.

Common Stock

Dividend Rights

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to received dividends out of assets legally available at the times and in the amounts that our board of directors may determine from time to time.

Voting Rights

Each holder of common stock is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. We have not provided for cumulative voting for the election of directors in our certificate of incorporation. This means that the holders of a majority of the shares voted can elect all of the directors then standing for election. In addition, our certificate of incorporation and bylaws provide that certain actions require the approval of two-thirds, rather than a majority, of the shares entitled to vote. For a description of these actions, see "— Anti-Takeover Effects of Delaware Law and our Certificate of Incorporation and Bylaws."

No Preemptive, Conversion or Redemption Rights

Our common stock is not entitled to preemptive rights and is not subject to conversion or redemption.

Right to Receive Liquidation Distributions

Upon our liquidation, dissolution or winding-up, the holders of common stock are entitled to share in all assets remaining after payment of all liabilities and the liquidation preferences of any outstanding preferred stock. Each outstanding share of common stock is, and all shares of common stock to be issued in this offering when they are paid for will be, fully paid and nonassessable.

Preferred Stock

Upon the closing of this offering, each outstanding share of our preferred stock will be converted into shares of common stock. Each share of Series A preferred stock, Series B preferred stock, Series C preferred stock, Series D preferred stock and Series E preferred stock will convert upon the closing of this offering into one share of common stock. If we sell common stock at or above $11.00 per share in this offering, each share of Series F preferred stock and Series G preferred stock will convert upon the closing of this offering into one share of common stock. If we sell common stock below $11.00 per share in this offering, the conversion ratio of the Series F preferred stock and Series G preferred stock will be adjusted pursuant to a defined adjustment formula. As a result of that adjustment, each share of Series F preferred stock and Series G preferred stock would convert upon the closing of this offering into more than one share of common stock. The number of shares of common stock into which each share of Series F preferred stock and Series G preferred stock would convert upon the closing of this offering will increase as the price per share at which we sell common stock below $11.00 per share in this offering decreases.

Following the closing of this offering, our board of directors will be authorized, subject to limitations imposed by Delaware law, to issue up to a total of 10,000,000 shares of preferred stock in one or more series,

without stockholder approval. Our board is authorized to establish from time to time the number of shares to be included in each series, and to fix the rights, preferences and privileges of the shares of each wholly unissued series and any of its qualifications, limitations or restrictions. Our board can also increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by the stockholders.

The board may authorize the issuance of preferred stock with voting or conversion rights that could harm the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of FormFactor and might harm the market price of our common stock and the voting and other rights of the holders of common stock. We have no current plans to issue any shares of preferred stock.

Warrants

Warrants to purchase 118,858 shares of our common stock were outstanding as of March 29, 2003, assuming the automatic conversion of our preferred stock into common stock upon the closing of this offering. The warrants that we issued that were outstanding as of March 29, 2003 are as follows:

- In April 1996, we issued warrants to purchase a total of 72,727 shares of our Series B preferred stock at an exercise price of $1.65 per share. If not earlier exercised, these warrants will remain outstanding for the later of five years after the completion of this offering or April 2006.

- In September 2000, we issued a warrant to a customer to purchase up to 45,500 shares of our Series F preferred stock at an exercise price of $11.00 per share. This warrant is exercisable on September 22, 2005. This warrant, however, will become exercisable immediately with respect to all of these shares if the warrant holder achieves certain commercial milestones. If not earlier exercised, this warrant will expire September 23, 2005. Upon the closing of this offering, this warrant will become exercisable to purchase a total of 46,131 shares of our common stock at an exercise price of $10.85 per share.

Registration Rights

The holders of 17,002,274 shares of our common stock issuable upon the automatic conversion of our preferred stock and the holders of 118,858 shares of our common stock issuable upon exercise of warrants are entitled to rights with respect to the registration of their shares under the Securities Act. These registration rights are contained in our sixth amended and restated investors' rights agreement and in stockholder's agreements. The holders of 16,777,029 shares of our common stock, including common stock issuable upon conversion of our preferred stock and upon the exercise of warrants, have demand, piggyback and Form S-3 registration rights pursuant to the investors' rights agreement as described below. The holders of 344,103 shares of our common stock that are issuable upon conversion of our preferred stock have piggyback registration rights pursuant to the stockholders' agreements as described below. The registration rights under the investors' rights agreement will expire five years following the completion of this offering, or for any particular stockholder with registration rights, at such time following this offering when that stockholder holds shares of our common stock equal to or less than one percent of the then outstanding capital stock of our company. The piggyback registration rights under the stockholder's agreements expire upon the written agreement of the parties to those agreements.

Demand Registration Rights

At any time following six months after the closing of this offering, the holders of at least 40% of our then outstanding shares of common stock having demand registration rights under the investors' rights agreement have the right to require that we register all or a portion of their shares. We are only obligated to effect two registrations in response to these demand registration rights. Each demand registration right exercised must cover a sale of securities with a total public offering price of at least $10.0 million. We may postpone the filing of a registration statement for up to 120 days once in any 12-month period if we determine that the filing would be materially detrimental to us and our stockholders. The underwriters of any underwritten offering have the right to

limit the number of shares to be included in a registration statement filed in response to the exercise of these demand registration rights. We must pay all expenses, except for underwriters' discounts and commissions, incurred in connection with these demand registration rights, except that we are not required to pay for expenses incurred if the holders of these rights subsequently withdraw their request for registration.

Piggyback Registration Rights

If we register any securities for public sale, the stockholders with piggyback registration rights under the investors' rights agreement have the right to include their shares in the registration, subject to specified exceptions. The underwriters of any underwritten offering have the right to limit the number of shares registered by these holders due to marketing reasons. We must pay all expenses, except for underwriters' discounts and commissions, incurred in connection with these piggyback registration rights.

Under the stockholder's agreements, the stockholders with piggyback registration rights have the right to include their shares in any registration under the Securities Act which we effect, subject to specified exceptions. The underwriters of any underwritten offering have the right to limit the number of shares registered by these holders due to marketing reasons. We must pay all expenses, except for underwriters' discounts and commissions and the expenses of legal counsel for the selling stockholders, incurred in connection with these piggyback registration rights.

Form S-3 Registration Rights

If we are eligible to file a registration statement on Form S-3, holders of shares of our common stock having Form S-3 registration rights under the investors' rights agreement can request that we register their shares, provided that the stockholders making the request hold at least one percent of the then outstanding capital stock of our company and the total price of the shares of common stock offered to the public is at least $1.0 million. These holders may only require us to file one Form S-3 registration statement in any 12-month period, and we are not required to file a registration statement on Form S-3 if we have already effected two registrations on Form S-3 at the request of the holders of shares having these registration rights. We may postpone the filing of a registration statement for up to 90 days once in any 12-month period if we determine that the filing would be materially detrimental to us and our stockholders. We must pay all expenses, except for underwriters' discounts and commissions, for two registrations on Form S-3.

Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws

The provisions of Delaware law, our certificate of incorporation and our bylaws described below may have the effect of delaying, deferring or discouraging another party from acquiring control of us.

Delaware Law

We will be subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. In general, those provisions prohibit a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

- the transaction is approved by the board before the date the interested stockholder attained that status;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- on or after the date the business combination is approved by the board and authorized at a meeting of stockholders by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines "business combination" to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by any of these entities or persons.

A Delaware corporation may opt out of this provision either with an express provision in its original certificate of incorporation or in an amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out of this provision. The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

Charter and Bylaws

Following the completion of this offering, our certificate of incorporation and bylaws will provide that:

- no action can be taken by stockholders except at an annual or special meeting of the stockholders called in accordance with our bylaws, and stockholders may not act by written consent;
- the approval of holders of two-thirds of the shares entitled to vote at an election of directors will be required to adopt, amend or repeal our bylaws or amend or repeal the provisions of our certificate of incorporation regarding the election and removal of directors and the ability of stockholders to take action;
- our board of directors will be expressly authorized to make, alter or repeal our bylaws;
- stockholders may not call special meetings of the stockholders or fill vacancies on the board;
- our board of directors will be divided into three classes serving staggered three-year terms. This means that only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective terms;
- our board of directors will be authorized to issue preferred stock without stockholder approval;
- directors may only be removed for cause by the holders of two-thirds of the shares entitled to vote at an election of directors; and
- we will indemnify officers and directors against losses that they may incur in investigations and legal proceedings resulting from their services to us, which may include services in connection with takeover defense measures.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is EquiServe Trust Company, N.A.

Listing

We have applied to list our common stock for quotation on the Nasdaq National Market under the trading symbol FORM.

SHARES ELIGIBLE FOR FUTURE SALE

Before this offering, there has not been a public market for our common stock. Future sales of substantial amounts of our common stock, including shares issued upon exercise of outstanding options and warrants, in the public markets after this offering could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares currently outstanding will be available for sale immediately after this offering due to contractual and legal restrictions on resale. Nevertheless, future sales of substantial amounts of our common stock, including shares issued upon exercise of outstanding options and warrants, in the public market after the restrictions lapse, or the possibility of the sales, could cause the prevailing market price of our common stock to fall or impair our ability to raise equity capital in the future.

Upon completion of this offering, we will have outstanding 32,912,970 shares of our common stock assuming the automatic conversion of all of our outstanding preferred stock, or 33,737,970 shares if the underwriters' over-allotment option is exercised in full, assuming that there are no exercises of outstanding options or warrants after March 29, 2003. Of these shares, all of the 5,500,000 shares sold in this offering, other than the shares purchased through the directed share program, will be freely tradable in the public market without restriction or further registration under the Securities Act, unless these shares are held by "affiliates," as that term is defined in Rule 144 under the Securities Act or are purchased through the directed share program in this offering. For purposes of Rule 144, an "affiliate" of an issuer is a person that, directly or indirectly through one or more intermediaries, controls, or is controlled by or is under common control with, the issuer. Shares purchased by an affiliate may not be resold except pursuant to an effective registration statement or an exemption from registration, including the exemption under Rule 144 of the Securities Act described below. Shares purchased through the directed share program in this offering will be subject to the lock-up agreement described below. Up to approximately 175,000 shares are reserved for the directed share program. The remaining 27,412,970 shares of our common stock held by existing stockholders are "restricted securities," as that term is defined in Rule 144 under the Securities Act. These restricted securities may be sold in the public market only if they are registered or if they qualify for an exemption from registration under Rule 144 or 701 under the Securities Act. These rules are summarized below. Subject to the lock-up agreements described below and the provisions of Rule 144 and Rule 701, these restricted securities will be available for sale in the public market as follows:

Number of Shares	Date
No shares	On the date of this prospectus
27,412,970 shares	180 days after the date of this prospectus

In addition, based on options and warrants outstanding as of March 29, 2003, after this offering, 5,738,553 shares will be subject to outstanding options and warrants, of which approximately 2,485,170 will be vested and exercisable 180 days after this offering.

Lock-Up Agreements

All of our officers, directors and employees and substantially all of our other stockholders have agreed, subject to limited exceptions, not to offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any of their shares of our common stock or any securities convertible into or exercisable or exchangeable for shares of our common stock; or enter into any swap or other arrangement that transfers to another, in whole or in part, any economic consequences of ownership of our common stock during the period ending 180 days after the date of this prospectus without the prior written consent of Morgan Stanley & Co. Incorporated, on behalf of the underwriters. Each of our other security holders who has not entered into this agreement with Morgan Stanley has otherwise contractually committed to us not to sell any of our common stock during the period ending 180 days after the date of this prospectus. These restrictions will also apply to the shares purchased in our directed share program. These restrictions do not apply to transactions relating to our common stock or other securities (1) acquired in this offering, other than the shares purchased in our directed share program, or (2) acquired in open market transactions after this offering.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year from the later of the date those shares of common stock were acquired from us or from an affiliate of ours would be entitled to sell, within any three-month period, a number of shares that is not more than the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately 329,130 shares immediately after this offering; or
- the average weekly trading volume of our common stock on the Nasdaq National Market during the four calendar weeks before a notice of the sale on Form 144 is filed.

Sales under Rule 144 are also subject to manner of sale provisions, notice requirements and the availability of current public information about us.

Rule 144(k)

In addition, under Rule 144(k), a person who is not one of our affiliates at any time during the three months preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years from the later of the date these shares of our common stock were acquired from us or from an affiliate of ours, including the holding period of any prior owner other than an affiliate, is entitled to sell those shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. Therefore, unless otherwise restricted pursuant to the lock-up agreements, those shares may be sold immediately upon the completion of this offering.

Rule 701

Any employee, officer or director of, or consultant to us who purchased shares under a written compensatory plan or contract may be entitled to sell them in reliance on Rule 701. Rule 701 permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that non-affiliates may sell these shares in reliance on Rule 144 without complying with the holding period, public information, volume, limitation or notice provisions of Rule 144. All holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling those shares. However, all shares issued under Rule 701 are subject to lock-up agreements and will only become eligible for sale when the 180-day lock-up agreements expire.

Stock Options

Based on options granted as of March 29, 2003, we intend to file a registration statement on Form S-8 under the Securities Act covering 10,912,336 shares of our common stock subject to options outstanding or reserved for issuance under our 1995 stock plan, 1996 stock option plan, incentive option plan, management incentive option plan, 2002 equity incentive plan and 2002 employee stock purchase plan, and shares of our common stock issued upon exercise of options by employees. We expect to file this registration statement as soon as practicable after this offering. In addition, we will file a registration statement on Form S-8 or such other form as may be required under the Securities Act for the resale of shares of our common stock issued upon the exercise of options that were granted under the management incentive option plan but that were not granted under Rule 701. We expect to file this registration statement as soon as permitted under the Securities Act. However, none of the shares registered on Form S-8 will be eligible for resale until expiration of the 180-day lock-up agreements to which they are subject.

Registration Rights

Upon completion of this offering, the holders of 17,002,274 shares of our common stock issuable upon the automatic conversion of our preferred stock and the holders of 118,858 shares of our common stock issuable upon exercise of warrants, may demand that we register their shares under the Securities Act or, if we file another registration statement under the Securities Act, may elect to include their shares in such registration. If these shares are registered, they will be freely tradable without restriction under the Securities Act. For additional information, see “Description of Capital Stock — Registration Rights.”

UNDERWRITERS

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. Incorporated, Lehman Brothers Inc., Banc of America Securities LLC and Thomas Weisel Partners LLC are acting as representatives, have each agreed to purchase, and we and the selling stockholders have agreed to sell to them, severally, the number of shares indicated below:

Name	Number of Shares
Morgan Stanley & Co. Incorporated	
Lehman Brothers Inc.	
Banc of America Securities LLC	
Thomas Weisel Partners LLC	
Total	5,500,000

The underwriters and the representatives are collectively referred to as the “underwriters” and the “representatives,” respectively. The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters’ over-allotment option described below.

The per share price of any shares sold by the underwriters will be the initial public offering price listed on the cover page of this prospectus, less an amount not greater than the per share amount of the concession to dealers described below.

The table below shows the per share and total underwriting discounts and commissions we will pay the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters’ option to purchase 825,000 additional shares.

	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

The underwriters initially propose to offer part of the shares of common stock directly to the public at the initial public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $ a share under the initial public offering price. Any underwriter may allow, and such dealers may reallow, a concession not in excess of $ a share to other underwriters or to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time-to-time be varied by the representatives.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of 825,000 additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter’s name in the preceding table bears to the total

number of shares of common stock listed next to the names of all underwriters in the preceding table. If the underwriters' option is exercised in full, the total price to the public would be $, the total underwriters' discounts and commissions would be $ and the total proceeds to us would be $.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares offered by them.

We estimate that the total expenses of the offering payable by us, excluding underwriting discounts and commissions, will be approximately $ million. Expenses include the Securities and Exchange Commission and NASD filing fees, Nasdaq National Market listing fees, printing, legal, accounting and transfer agent and registrar fees, premiums of approximately $ for directors' and officers' insurance that we intend to obtain to cover our directors and officers for certain liabilities, including coverage for public securities matters, and other miscellaneous fees and expenses.

Each of our officers, directors, employees and substantially all of our other stockholders have agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, it will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock,

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise.

The restrictions described in the immediately preceding paragraph do not apply to:

- the sale of any shares of common stock to the underwriters;

- transactions relating to shares of common stock or other securities acquired in this offering or thereafter acquired in open market transactions;

- the transfer of shares of common stock or other securities by gift;

- the distribution of shares of common stock or other securities to partners, members or stockholders;

- the transfer of shares of common stock or other securities to affiliates of stockholders that are corporations; and

- acquisitions from us of any shares of common stock or other securities,

provided that in the case of each of the last four transactions, each donee, distributee, transferee and recipient agrees to be subject to the restrictions described in the immediately preceding paragraph and no filing under Section 16 of the Exchange Act is required in connection with these transactions.

In order to facilitate this offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open

market after pricing that could adversely affect investors who purchase in this offering. In addition, to stabilize the price of the common stock, the underwriters may bid for, and purchase, shares of common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in this offering, if the syndicate repurchases previously distributed common stock to cover syndicate short positions or to stabilize the price of the common stock. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters. The underwriters may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

Certain entities affiliated with Morgan Stanley & Co. Incorporated, one of the underwriters of this offering, were some of our original investors and continue to hold shares of our capital stock. Morgan Stanley Ventures Partners III, L.P. holds 1,881,654 shares of our preferred stock, Morgan Stanley Venture Investors III, L.P. holds 180,666 shares of our preferred stock and Morgan Stanley Venture Partners III, L.L.C. holds 20,000 shares of our common stock. These entities acquired these shares between April 1997 and August 1999 at an aggregate cost of $7,266,007. Upon the automatic conversion of the preferred stock into common stock upon the completion of this offering, these entities will own a total of 2,082,320 shares of our common stock. Morgan Stanley Venture Partners III, L.L.C. is the general partner of both Morgan Stanley Venture Partners III, L.P. and Morgan Stanley Venture Investors III, L.P. Morgan Stanley Venture Capital III, Inc., a wholly owned subsidiary of Morgan Stanley, is the institutional managing member of Morgan Stanley Venture Partners III, L.L.C.

We have an investment account with Morgan Stanley & Co. Incorporated for which it receives customary fees and commissions. Through this account, we maintain the majority of our portfolio of cash equivalents and short-term investments in a variety of securities, including money market funds, commercial paper and government and non-government debt securities.

The underwriters, on the one hand, and we and the selling stockholders, on the other hand, have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

At our request, the underwriters have reserved for sale, at the initial public offering price, up to 175,000 shares offered by this prospectus to our employees. We will pay all fees and disbursements of counsel incurred by the underwriters in connection with offering the shares to such persons. The number of shares of common stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares, which are not so purchased, will be offered by the underwriters to the general public on the same basis as the other shares offered by this prospectus.

Pricing of the Offering

Prior to this offering, there has been no public market for the common stock. The initial public offering price will be determined by negotiations among us, the selling stockholders and the representatives. Among the factors to be considered in determining the initial public offering price will be our future prospects and those of our industry in general; our sales, earnings and certain other financial and operating information in recent periods; and the price-earnings ratios, price-sales ratios and market prices of securities and certain financial and operating information of companies engaged in activities similar to ours.

The estimated initial public offering range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors.

LEGAL MATTERS

Fenwick & West LLP, Mountain View, California, will pass upon the validity of the issuance of the shares of common stock offered by this prospectus. Gray Cary Ware & Freidenrich LLP, Palo Alto, California, will pass

upon legal matters for the underwriters. As of the date of this prospectus, two investment entities affiliated with Fenwick & West LLP beneficially owned an aggregate of 23,674 shares of our common stock. For additional information regarding the professional services received by us from Fenwick & West LLP, please see note 12 of our consolidated financial statements included in this prospectus.

EXPERTS

The consolidated financial statements of FormFactor, Inc. as of December 29, 2001 and December 28, 2002 and for each of the three years in the period ended December 28, 2002 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1, including exhibits, under the Securities Act with respect to the common stock to be sold in this offering. This prospectus, which constitutes a part of the registration statement, does not contain all of the information in the registration statement or the exhibits. Statements made in this prospectus regarding the contends of any contract, agreement or other document are only summaries. With respect to each contract, agreement or other document filed as an exhibit to the registration statement, we refer you to the exhibit for a more complete description of the matter involved. You may read and copy all or any portion of the registration statement or any reports, statements or other information in the files at the public reference facility of the Securities and Exchange Commission located at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549.

You can request copies of these documents upon payment of a duplicating fee by writing to the Securities and Exchange Commission. You may call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of its public reference room. Our filings, including the registration statement, will also be available to you on the web site maintained by the Securities and Exchange Commission at http://www.sec.gov.

We intend to furnish our stockholders with annual reports containing consolidated financial statements audited by our independent auditors, and to make available to our stockholders quarterly reports for the first three quarters of each year containing unaudited interim consolidated financial statements.

FORMFACTOR, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Stockholders of

FormFactor, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholders' deficit and of cash flows present fairly, in all material respects, the financial position of FormFactor, Inc. (the "Company") and its subsidiaries at December 29, 2001 and December 28, 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 28, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PRICEWATERHOUSECOOPERS LLP

San Jose, California

January 17, 2003, except for the last paragraph of Note 5,
as to which the date is February 21, 2003

FORMFACTOR, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	December 29, 2001	December 28, 2002	March 29, 2003	Pro Forma at March 29, 2003 (see Note 2)
				(unaudited)
ASSETS				
Current assets:				
Cash and cash equivalents	$ 20,565	$ 26,786	$ 30,509	
Short-term investments	7,011	7,557	4,337	
Accounts receivable, net of allowance for doubtful accounts of $414 in 2001, $253 in 2002 and $203 (unaudited) in 2003	11,863	11,986	10,309	
Inventories, net	2,390	4,230	5,028	
Deferred tax assets	—	2,571	2,571	
Prepaid expenses and other current assets	1,813	3,463	3,878	
Total current assets	43,642	56,593	56,632	
Restricted cash	—	2,835	—	
Property and equipment, net	17,998	16,538	16,204	
Deferred tax assets	—	1,068	1,068	
Other assets	624	484	454	
Total assets	$ 62,264	$ 77,518	$ 74,358	
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Bank line of credit	$ —	$ 375	$ 375	
Notes payable, current portion	560	500	500	
Accounts payable	5,549	6,712	5,112	
Accrued liabilities	5,849	7,677	5,285	
Deferred revenue	610	793	711	
Total current liabilities	12,568	16,057	11,983	
Notes payable, less current portion	1,167	625	500	
Deferred revenue	910	672	612	
Total liabilities	14,645	17,354	13,095	
Commitments and contingencies (Note 6)				
Redeemable convertible preferred stock, $0.001 par value:				
Authorized: 23,126,983 shares				
Issued and outstanding: 22,994,543 shares in 2001, 23,002,626 shares in 2002 and 2003 (unaudited) and none pro forma (unaudited) (Liquidation preferences: $65,886 at December 29, 2001, $66,263 at December 28, 2002 and March 29, 2003 (unaudited))	64,895	64,895	64,895	$ —
Redeemable convertible preferred stock warrants	306	306	306	—
	65,201	65,201	65,201	—
Stockholders' equity (deficit):				
Preferred stock, $0.001 par value:				
Authorized: 10,000,000 shares				
Issued and outstanding: none in 2001, 2002, 2003 (unaudited) and none pro forma (unaudited)	—	—	—	—
Common stock, $0.001 par value:				
Authorized: 250,000,000 shares				
Issued and outstanding: 4,578,450 shares in 2001, 4,680,118 shares in 2002, 4,705,058 shares in 2003 (unaudited) and 27,752,332 shares pro forma (unaudited)	5	5	5	28
Additional paid-in capital	10,026	20,064	20,193	85,817
Notes receivable from stockholders	(3,818)	(3,447)	(3,437)	(3,437)
Deferred stock-based compensation, net	(4,071)	(12,294)	(12,023)	(12,023)
Accumulated other comprehensive loss	—	—	(10)	(10)
Accumulated deficit	(19,724)	(9,365)	(8,666)	(9,112)
Total stockholders' equity (deficit)	(17,582)	(5,037)	(3,938)	$ 61,263
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	$ 62,264	$ 77,518	$ 74,358	

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

FORMFACTOR, INC.

CONSOLIDATED INCOME STATEMENTS

(in thousands, except per share data)

	Years Ended			Three Months Ended	
	December 30, 2000	December 29, 2001	December 28, 2002	March 30, 2002	March 29, 2003
				(unaudited)	
Revenues	$56,406	$73,433	$78,684	$17,288	$18,669
Cost of revenues(1)	28,243	38,385	39,456	8,859	9,800
Gross margin	28,163	35,048	39,228	8,429	8,869
Operating expenses:					
Research and development(1)	11,995	14,619	14,592	3,249	3,525
Selling, general and administrative(1)	15,434	18,500	17,005	3,992	4,013
Stock-based compensation	259	469	1,039	165	333
Restructuring charges	—	1,380	—	—	—
Total operating expenses	27,688	34,968	32,636	7,406	7,871
Operating income	475	80	6,592	1,023	998
Interest income	1,258	989	808	189	162
Interest expense	(661)	(170)	(79)	(17)	(14)
Other income (expense), net	1,122	(342)	(87)	(17)	(19)
	1,719	477	642	155	129
Income before income taxes	2,194	557	7,234	1,178	1,127
Benefit (provision) for income taxes	(115)	(307)	3,125	(332)	(428)
Net income	$ 2,079	$ 250	$10,359	$ 846	$ 699
Net income per share:					
Basic	$ 0.61	$ 0.06	$ 2.33	$ 0.19	$ 0.15
Diluted	$ 0.08	$ 0.01	$ 0.35	$ 0.03	$ 0.02
Weighted-average number of shares used in per share calculations:					
Basic	3,408	4,029	4,448	4,391	4,539
Diluted	26,821	28,654	29,554	29,823	29,266
Pro forma net income per common share (unaudited) (see Note 13):					
Basic			$ 0.36		$ 0.03
Diluted			$ 0.33		$ 0.02
Weighted-average number of shares used in pro forma per common share calculations (unaudited) (see Note 13):					
Basic			27,491		27,586
Diluted			29,599		29,311
(1) Amounts exclude stock-based compensation, as follows:					
Cost of revenues	$ —	$ 27	$ 172	$ 22	$ 55
Research and development	61	139	217	3	69
Selling, general and administrative	198	303	650	140	209
Total	$ 259	$ 469	$ 1,039	$ 165	$ 333

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

FORMFACTOR, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

For the Years Ended December 30, 2000 and December 29, 2001 and December 28, 2002 and Three Months Ended March 29, 2003 (in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Notes Receivable from Stockholders	Deferred Stock-based Compensation	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount						
Balances, December 26, 1999	4,306,547	$ 4	$ 3,443	$(2,496)	$ (184)	$ —	$(22,053)	$(21,286)
Issuance of common stock pursuant to exercise of options for cash and notes receivable	509,275	—	2,189	(2,014)	—	—	—	175
Issuance of common stock for services provided	18,043	—	100	—	—	—	—	100
Repurchase of common stock in connection with cancellation of notes receivable from stockholders	(375,578)	—	(462)	462	—	—	—	—
Repayment of notes receivable from stockholders	—	—	—	87	—	—	—	87
Deferred stock-based compensation	—	—	259	—	(259)	—	—	—
Recognition of stock-based compensation	—	—	—	—	259	—	—	259
Net income	—	—	—	—	—	—	2,079	2,079
Balances, December 30, 2000	4,458,287	4	5,529	(3,961)	(184)	—	(19,974)	(18,586)
Issuance of common stock pursuant to exercise of options for cash and notes receivable	168,229	1	340	(43)	—	—	—	298
Issuance of common stock for services provided	2,462	—	15	—	—	—	—	15
Repurchase of common stock for cash and in connection with cancellation of notes receivable from stockholders	(50,528)	—	(214)	186	—	—	—	(28)
Deferred stock-based compensation	—	—	4,356	—	(4,356)	—	—	—
Recognition of stock-based compensation	—	—	—	—	469	—	—	469
Net income	—	—	—	—	—	—	250	250
Balances, December 29, 2001	4,578,450	5	10,026	(3,818)	(4,071)	—	(19,724)	(17,582)
Repayment of notes receivable from stockholders	—	—	—	26	—	—	—	26
Issuance of common stock pursuant to exercise of options for cash	223,113	—	1,070	—	—	—	—	1,070
Issuance of common stock for services provided	7,538	—	57	—	—	—	—	57
Repurchase of common stock for cash and in connection with cancellation of notes receivable from stockholders	(128,983)	—	(351)	345	—	—	—	(6)
Deferred stock-based compensation, net of cancellations	—	—	9,262	—	(9,262)	—	—	—
Recognition of stock-based compensation	—	—	—	—	1,039	—	—	1,039
Net income	—	—	—	—	—	—	10,359	10,359
Balances, December 28, 2002	4,680,118	5	20,064	(3,447)	(12,294)	—	(9,365)	(5,037)
Repayment of notes receivable from stockholders (unaudited)	—	—	—	10	—	—	—	10
Issuance of common stock pursuant to exercise of options for cash (unaudited)	24,940	—	67	—	—	—	—	67
Deferred stock-based compensation, net of cancellations (unaudited)	—	—	62	—	(62)	—	—	—
Recognition of deferred stock-based compensation (unaudited)	—	—	—	—	333	—	—	333
Components of other comprehensive income (unaudited):								
Translation adjustments (unaudited)	—	—	—	—	—	(10)	—	(10)
Net income (unaudited)	—	—	—	—	—	—	699	699
Comprehensive income (unaudited)								689
Balances, March 29, 2003 (unaudited)	4,705,058	$ 5	$20,193	$(3,437)	$(12,023)	$(10)	$ (8,666)	$ (3,938)

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

FORMFACTOR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years Ended			Three Months Ended	
	December 30, 2000	December 29, 2001	December 28, 2002	March 30, 2002	March 29, 2003
					(unaudited)
Cash flows from operating activities:					
Net income	$ 2,079	$ 250	$ 10,359	$ 846	$ 699
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,636	4,745	5,392	1,303	1,281
Stock-based compensation expense	259	469	1,039	165	333
Common stock issued for services provided	100	15	57	—	—
Deferred tax assets	—	—	(3,639)	—	—
Interest income from stockholders' notes receivable	(140)	(257)	(238)	(65)	(58)
Provision for doubtful accounts	(32)	(166)	(161)	16	(50)
Provision for excess and obsolete inventories	2,227	969	(1,157)	143	1,102
Loss on disposal of property and equipment	—	194	322	—	10
Non-cash restructuring expenses	—	277	—	—	—
Changes in assets and liabilities:					
Accounts receivable	(7,903)	501	38	546	1,731
Inventories	(3,146)	(522)	(683)	(1,051)	(1,901)
Prepaids and other current assets	(109)	(268)	(1,412)	(513)	(356)
Accounts payable	2,720	1,246	1,163	(299)	(1,641)
Accrued liabilities	1,349	2,307	1,828	198	(2,339)
Deferred revenues	(105)	501	(55)	623	(157)
Net cash provided by (used in) operating activities	935	10,261	12,853	1,912	(1,346)
Cash flows from investing activities:					
Acquisition of property and equipment	(6,290)	(9,356)	(4,177)	(496)	(960)
Purchase of investments	(5,970)	(17,865)	(23,136)	(9,297)	(2,810)
Proceeds from maturities of investments	16,937	15,817	22,590	3,992	6,030
Restricted cash	—	—	(2,835)	—	2,835
Other assets	(468)	(203)	63	22	10
Net cash provided by (used in) investing activities	4,209	(11,607)	(7,495)	(5,779)	5,105
Cash flows from financing activities:					
Proceeds from issuance of redeemable convertible preferred stock, net	6,910	10,072	—	—	—
Proceeds from issuance of common stock	175	298	1,070	810	67
Repayment of notes receivable from stockholders	87	—	26	8	10
Repurchase of common stock	—	(28)	(6)	—	—
Proceeds from issuance of notes payable	—	2,000	—	—	—
Proceeds from issuance of bank line of credit	—	—	375	375	—
Repayment of notes payable	(1,913)	(2,365)	(602)	(198)	(125)
Repayment of bank line of credit	(2,800)	—	—	—	—
Net cash provided by (used in) financing activities	2,459	9,977	863	995	(48)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	12
Net increase (decrease) in cash and cash equivalents	7,603	8,631	6,221	(2,872)	3,723
Cash and cash equivalents, beginning of period	4,331	11,934	20,565	20,565	26,786
Cash and cash equivalents, end of period	$11,934	$ 20,565	$ 26,786	$17,693	$30,509
Non-cash financing activities:					
Common stock issued for notes receivable	$ 2,014	$ 43	$ —	$ —	$ —
Repurchase of common stock in connection with cancellation of notes receivable from stockholders	$ 462	$ 186	$ 345	$ 345	$ —
Deferred stock-based compensation	$ 259	$ 4,356	$ 9,262	$ 1,451	$ 62
Issuance of warrants to purchase Series F redeemable convertible preferred stock	$ 306	$ —	$ —	$ —	$ —
Supplemental disclosure of cash flow information:					
Interest paid	$ 669	$ 170	$ 79	$ 17	$ 14
Income taxes paid	$ 1	$ 271	$ 179	$ 58	$ —

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

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Formation and Business of the Company:

FormFactor, Inc. (the "Company") was incorporated on April 15, 1993 to design, develop, manufacture, sell and support precision, high performance advanced semiconductor wafer probe cards. The Company is based in Livermore, California, home to its corporate offices, research and development, and manufacturing locations. The Company has offices in California, Japan, Hungary, Germany and South Korea.

Note 2 — Summary of Significant Accounting Policies:

Basis of consolidation and foreign currency translation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated.

Translation adjustments resulting from the process of remeasuring into the United States of America dollar the foreign currency financial statements of the Company's wholly owned subsidiaries, for which the United States of America dollar is the functional currency, are included in operations. For the Company's international subsidiaries which use their local currency as their functional currency, assets and liabilities are translated at exchange rates in effect at the balance sheet date and revenue and expense accounts at average exchange rates during the period. Resulting translation adjustments are recorded directly to cumulative comprehensive income.

Unaudited interim results

The accompanying consolidated balance sheet as of March 29, 2003, the consolidated income statements and consolidated statements cash flows for the three months ended March 30, 2002 and March 29, 2003 and the consolidated statement of stockholders' deficit for the three months ended March 29, 2003 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position and results of operations and cash flows for the three months ended March 30, 2002 and March 29, 2003. The financial data and other information disclosed in these notes to financial statements related to the three-month periods are unaudited. The results for the three months ended March 29, 2003 are not necessarily indicative of the results to be expected for the year ending December 27, 2003 or for any other interim period or for any other future year.

Unaudited pro forma stockholders' equity

If the offering contemplated by this prospectus is consummated, all of the redeemable convertible preferred stock outstanding will automatically convert into 23,047,274 shares of common stock based on the shares of redeemable convertible preferred stock outstanding at March 29, 2003. The Series F and Series G redeemable convertible preferred stock agreements contain clauses that in the event of a sale by the Company of common stock below $11.00 per share in a public offering, the conversion price of the Series F and Series G redeemable convertible preferred stock will be adjusted pursuant to a defined adjustment formula. As a result, assuming an offering price of $10.00 per share of common stock, an additional 8,776 and 35,872 shares of common stock will be issued to reflect the effect of the antidilution conversion price adjustments to the Series F and Series G redeemable convertible preferred stock, respectively. The issuance of these additional shares will result in a beneficial conversion feature in accordance with Emerging Issues Task Force Issue No. ("EITF") 00-27, "Application of Issue No. 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features of Contingently Adjustable Conversion Ratios," to Certain Convertible Instruments" ("EIFT Issue No. 00-27"). Accordingly, assuming an offering price of $10.00 per share of common stock, upon issuance of these additional shares the Company will recognize $446,480 as a charge to additional paid-in capital to account for the deemed dividend. Unaudited pro forma stockholders' equity, as adjusted for the assumed conversion of the redeemable convertible preferred stock, is set forth on the balance sheet.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid investments with original or remaining maturities of three months or less, at the date of purchase, to be cash equivalents. Cash and cash equivalents include money market and various deposit accounts.

Investments

The Company has classified its investments as "available-for-sale." Such investments are recorded at fair value and unrealized gains and losses, if material, are recorded as a separate component of stockholders' equity (deficit) until realized. Realized gains and losses on sale of all such securities are reported in earnings, computed using the specific identification cost method. Both realized and unrealized gains have not been significant to date.

Restricted cash

Under the terms of its facility lease, the Company provides security to the landlord in the form of six letters of credit totaling $2,830,000 (see Note 5). In July 2002, the letters of credit were secured by a certificate of deposit of $2,835,000, which has been classified as restricted cash as of December 28, 2002. As of March 29, 2003, the Company was no longer obligated to secure the letters of credit with a certificate of deposit and accordingly the $2,835,000 (unaudited) was reclassed to short-term investments.

Inventories

Inventories are stated at the lower of cost (principally standard cost which approximates actual cost on a first-in, first-out basis) or market value. Reserves for potentially excess and obsolete inventory are made based on management's analysis of inventory levels and future sales forecasts.

The Company designs, manufactures and sells a fully custom product into a market that has been subject to cyclicality and significant demand fluctuations. Probe cards are complex products, custom to a specific chip design and have to be delivered on lead-times shorter than most manufacturers' cycle times. It is therefore common to start production and to acquire production materials ahead of the receipt of an actual purchase order. Probe cards are manufactured in low volumes, therefore, material purchases are often subject to minimum purchase order quantities in excess of the actual demand. These factors make inventory valuation adjustments part of the normally occurring cost of revenue. The aggregate inventory valuation adjustments equal the additions to the inventory reserves and were $2,227,000, $4,504,000, $1,279,000 and $1,102,000 (unaudited) for the years ended December 30, 2000, December 29, 2001, December 28, 2002, and for the three months ended March 29, 2003, respectively. The Company retains the excess inventory until the customer's design is discontinued. The inventory may be used to satisfy customer warranty demand. When the customer's design is discontinued, the Company disposes of any excess inventory. The Company wrote-off inventories of $3,535,000 in fiscal year 2001 and $2,436,000 in fiscal year 2002 but did not write-off any inventories in fiscal year 2000 and in the three months ended March 29, 2003 (unaudited).

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided on a straight-line method over the estimated useful lives of the assets, generally two to five years. Leasehold improvements are amortized over their estimated useful lives or the term of the related lease, whichever is less. Upon sale or retirement of assets, the cost and related accumulated depreciation or amortization are removed from the balance sheet and the resulting gain or loss is reflected in operations.

Impairment of long-lived assets

The Company reviews long-lived assets for impairment, whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. When such an event occurs, management determines whether there has been an impairment by comparing the anticipated undiscounted future net cash flows to the related asset's carrying value. If an asset is considered impaired, the asset is written down to fair value, which is determined based either on discounted cash flows or appraised value, depending on the nature of the asset.

Warranty accrual

The Company offers warranties on certain products and records a liability for the estimated future costs associated with warranty claims, which is based upon historical experience and the Company's estimate of the level of future costs. Warranty costs are reflected in the income statement as a cost of revenues. A reconciliation of the changes in the Company's warranty liability for the year ending December 28, 2002 and the three months ended March 29, 2003 follows (in thousands):

Warranty accrual at December 29, 2001	$ 430
Accruals for warranties issued during the year	1,688
Settlements made during the year	(1,439)
Warranty accrual at December 28, 2002	679
Accrual for warranties issued during the period (unaudited)	197
Settlements made during the period (unaudited)	(340)
Warranty accrual at March 29, 2003 (unaudited)	$ 536

Concentration of credit risk and other risks and uncertainties

The Company maintains its cash and cash equivalents in accounts with two major financial institutions in the United States of America and in countries where subsidiaries operate, in the form of demand deposits and money market accounts. Deposits in these banks may exceed the amounts of insurance provided on such deposits. The Company has not experienced any losses on its deposits of cash and cash equivalents.

Carrying amounts of certain of the Company's financial instruments including cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short maturities. Based on borrowing rates currently available to the Company for loans with similar terms, the carrying value of notes payable and the bank line of credit approximate fair value. Estimated fair values for marketable securities, which are separately disclosed elsewhere, are based on quoted market prices for the same or similar instruments.

The Company markets and sells its products to a narrow base of customers and generally does not require collateral. In fiscal year 2000, three customers accounted for approximately 25%, 21% and 17% of revenues. In fiscal year 2001, four customers accounted for approximately 26%, 20%, 16% and 12% of revenues. In fiscal year 2002, three customers accounted for approximately 27%, 21% and 20% of revenues. At December 29, 2001,

three customers accounted for approximately 24%, 20% and 11% of accounts receivable. At December 28, 2002, three customers accounted for approximately 26%, 25% and 19% of accounts receivable.

The Company operates in the intensely competitive semiconductor industry, primarily dynamic random access memory, or DRAM, which has been characterized by price erosion, rapid technological change, short product life, cyclical market patterns and heightened foreign and domestic competition. Significant technological changes in the industry could affect operating results adversely.

Certain components that meet the Company's requirements are available only from a limited number of suppliers. The rapid rate of technological change and the necessity of developing and manufacturing products with short life-cycles may intensify these risks. The inability to obtain components as required, or to develop alternative sources, if and as required in the future, could result in delays or reductions in product shipments, which in turn could have a material adverse effect on the Company's business, financial condition, and results of operations.

Revenue recognition

The Company recognizes revenue upon shipment where there is a contract or purchase order, the fee is fixed or determinable and where collectibility of the resulting receivable is reasonably assured. Revenues from product sales to customers other than distributors are recognized upon shipment and reserves are provided for estimated returns and allowances. Although the Company's distributor has no price protection rights or rights to return product, other than for warranty claims, the Company defers recognition of revenue from its distributor until the distributor confirms an order from its customer, given the lack of visibility into distributors inventory levels. Revenues from the licensing of the Company's design and manufacturing technology are recognized over the term of the license agreement or when the significant contractual obligations have been fulfilled.

Research and development

Research and development costs are charged to operations as incurred.

Advertising costs

Advertising costs, included in sales and marketing expenses, are expensed as incurred. Advertising expenses in fiscal years 2000, 2001 and 2002 were approximately $301,000, $328,000 and $114,000, respectively.

Income taxes

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Segments

The Company operates in one segment, using one measurement of profitability to manage its business.

Stock-based compensation

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123" ("SFAS No. 148") which amends FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), to provide alternative methods of transition for voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition and annual disclosure requirements of SFAS No. 148 are effective for fiscal years ended after December 15, 2002. The interim disclosure requirements are effective for interim periods ending after December 15, 2002.

The Company uses the intrinsic value method of Accounting Principles Board Opinion No. 25 ("APB No. 25"), "Accounting for Stock Issued to Employees," in accounting for its employee stock options, and presents disclosure of pro forma information required under SFAS No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation" (see Note 8).

The following table provides a reconciliation of net income to pro forma net income (loss) as if the fair value method had been applied to all awards (in thousands, except per share data):

	Years Ended			Three Months Ended	
	December 30, 2000	December 29, 2001	December 28, 2002	March 30, 2002	March 29, 2003
				(unaudited)	
Net income, as reported	$2,079	$ 250	$10,359	$ 846	$ 699
Add: Stock-based employee compensation expense included in reported net income	—	195	997	165	333
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(520)	(1,269)	(2,128)	(491)	(428)
Pro forma net income (loss)	$1,559	$ (824)	$ 9,228	$ 520	$ 604
Net income (loss) per share					
Basic:					
As reported	$ 0.61	$ 0.06	$ 2.33	$0.19	$0.15
Pro forma	$ 0.46	$ (0.20)	$ 2.08	$0.12	$0.13
Diluted:					
As reported	$ 0.08	$ 0.01	$ 0.35	$0.03	$0.02
Pro forma	$ 0.06	$ (0.20)	$ 0.31	$0.02	$0.02

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123 and EITF Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" which require that such equity instruments are recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying equity instruments vest.

Net income per share

Basic net income per share is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted net income per share is computed giving effect to all potential dilutive common stock, including options, warrants, common stock subject to repurchase and redeemable convertible preferred stock.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net income per share follows (in thousands):

	Years Ended			Three Months Ended	
	December 30, 2000	December 29, 2001	December 28, 2002	March 30, 2002	March 29, 2003
				(unaudited)	
Numerator:					
Net income	$ 2,079	$ 250	$10,359	$ 846	$ 699
Denominator:					
Weighted-average common stock outstanding	4,262	4,557	4,675	4,642	4,722
Less: Weighted-average shares subject to repurchase	(854)	(528)	(227)	(251)	(183)
Weighted-average shares used in computing basic net income per share	3,408	4,029	4,448	4,391	4,539
Dilutive potential common shares used in computing diluted net income per share	23,413	24,625	25,106	25,432	24,727
Total weighted-average number of shares used in computing diluted net income per share	26,821	28,654	29,554	29,823	29,266

The following outstanding options, common stock subject to repurchase, redeemable convertible preferred stock and warrants were excluded from the computation of diluted net income per share as they had an antidilutive effect (in thousands):

	December 30, 2000	December 29, 2001	December 28, 2002	March 30, 2002	March 29, 2003
				(unaudited)	
Options to purchase common stock	392	1,164	258	—	258
Common stock subject to repurchase	—	—	—	—	—
Redeemable convertible preferred stock	—	—	—	—	—
Warrants	46	46	46	—	46

Comprehensive income (loss)

Comprehensive income (loss) include foreign currency translation adjustments, the impact of which have been excluded from net income and reflected as equity. The component of comprehensive income (loss) is reported on the Company's consolidated statements of stockholders' deficit.

Recent accounting pronouncements

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses significant issues relating to the implementation of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and develops a single accounting method under which long-lived assets that are to be disposed of by sale are measured at the lower of book value or fair value less cost to sell. Additionally, SFAS No. 144 expands the scope of discontinued operations to include all components of an entity with operations that (1) can be distinguished from the rest of the entity, and (2) will be eliminated from the ongoing operations of the entity in a disposal

transaction. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and its provisions are to be applied prospectively. The Company has adopted SFAS No. 144 effective December 29, 2002. This adoption has not had a material impact on the Company's financial position or on its results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statement No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS No. 145") which eliminates inconsistencies between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provisions of SFAS No. 145 are effective for fiscal years beginning after May 15, 2002 and for transactions occurring after May 15, 2002. The Company does not expect adoption of SFAS No. 145 to have a material impact on the Company's financial position or on its results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities" ("SFAS No. 146") which addresses the recognition, measurement, and reporting of costs that are associated with exit and disposal activities, including restructuring activities that are currently accounted for pursuant to the guidance that the EITF has set forth in EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". SFAS No. 146 will be effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect adoption of SFAS No. 146 to have a material impact on its financial position or on its results of operations.

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires that a liability be recorded in the guarantor's balance sheet upon issuance of a guarantee. In addition, FIN 45 requires disclosures about the guarantees that an entity has issued, including a reconciliation of changes in the entity's product warranty liabilities. The initial recognition and initial measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements of FIN 45 are effective for financial statements for interim or annual periods ending after December 15, 2002. The adoption of FIN 45 did not have a material impact on the Company's financial position or on its results of operations.

In November 2002, the EITF reached a consensus on Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF Issue No. 00-21 will apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company does not expect adoption of EITF Issue No. 00-21 to have a material impact on its financial position or on its results of operations.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. The Company does not expect adoption of FIN 46 to have a material impact on its financial position or on its results of operations.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 — Balance Sheet Components:

At December 29, 2001 and December 28, 2002, the amortized cost basis of the available-for-sale securities represents the fair value of the investments (in thousands):

	December 29, 2001	December 28, 2002
Commercial paper	$3,989	$ —
Corporate bonds and notes	—	1,512
Foreign debt securities	—	1,504
Municipal bonds	—	1,043
Term notes	1,025	—
US Government	1,997	3,498
	$7,011	$7,557

At December 28, 2002, the investments mature between January and April 2003.

Inventories, net of reserves, consisted of the following (in thousands):

	December 29, 2001	December 28, 2002	March 29, 2003 (unaudited)
Raw materials	$ 744	$1,520	$1,666
Work-in-progress	1,296	2,319	3,114
Finished goods	350	391	248
	$2,390	$4,230	$5,028

Property and equipment consisted of the following (in thousands):

	December 29, 2001	December 28, 2002
Machinery and equipment	$ 17,078	$ 19,265
Computer equipment and software	5,176	6,046
Furniture and fixtures	599	682
Leasehold improvements	3,055	3,047
Construction-in-progress	4,560	5,046
	30,468	34,086
Less: Accumulated depreciation and amortization	(12,470)	(17,548)
	$ 17,998	$ 16,538

Depreciation and amortization of property and equipment for the years ended December 30, 2000, December 29, 2001 and December 28, 2002 was approximately $3,345,000, $4,433,000 and $5,315,000, respectively.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accrued liabilities consisted of the following (in thousands):

	December 29, 2001	December 28, 2002
Accrued compensation and benefits	$2,792	$4,746
Accrued commissions	520	402
Accrued restructuring	441	—
Other accrued expenses	2,096	2,529
	$5,849	$7,677

Note 4 — Restructuring Charges and Expenses:

During fiscal 2001, the Company recorded a restructuring charge of approximately $1,400,000. The Company implemented the restructuring plan to better align the infrastructure with the market conditions in the semiconductor industry and to further focus the Company on the wafer probe card business. The restructuring charge consisted of $880,000 for headcount reductions covering 14 employees in research and development, 23 employees in operations and 17 employees in selling, general and administrative. The majority of the affected employees were based in Livermore, California. Further, the Company recorded $223,000 for the consolidation of excess facilities and $277,000 for asset write-offs, primarily for property and equipment. The consolidation of excess facilities included the closure of certain corporate facilities that had been vacated. The charge of $223,000 primarily related to lease termination and noncancelable lease costs. Property and equipment that was disposed of resulted in a charge of $277,000 and primarily consisted of leasehold improvements for the excess facilities. As of December 28, 2002, the restructuring plan had been fully executed and there were no remaining payments to be made in respect of the restructuring.

Information related to the restructuring plan follows (in thousands):

	Workforce Reductions	Lease Contractual Commitments	Facilities	Total
Restructuring provisions at August 16, 2001	$ 880	$ 223	$ 277	$1,380
Utilized:				
Non-cash	—	—	(277)	(277)
Cash	(615)	(47)	—	(662)
Restructuring liability at December 29, 2001	265	176	—	441
Utilized:				
Cash	(265)	(176)	—	(441)
Restructuring liability at December 28, 2002	$ —	$ —	$ —	$ —

Note 5 — Notes Payable and Bank Line of Credit:

In June 1997, the Company entered into two financing agreements with a financial institution which provided for borrowings up to $1,600,000 and $3,300,000 to purchase equipment. The agreements expired on March 31 and June 30, 1998, respectively. Prior to their expiration, the Company borrowed a total of $4,526,000 under these agreements. During 2001, the Company paid off the remaining balances of the loans in their entirety.

In February 1999, the Company entered into a financing agreement, which provided for borrowings up to $5,000,000 to purchase semiconductor assembly manufacturing and test equipment and expired on December 31,

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1999. Prior to its expiration, the Company borrowed $1,775,000 under this financing line. During 2001, the Company paid off the remaining balance of the loan in its entirety.

In June 1999, the Company entered into a note payable agreement to finance the acquisition and installation of software. The Company borrowed a total of $311,000 under this agreement. During 2002, the Company paid off the remaining balance of the loan in its entirety.

In March 2001, the Company entered into a financing agreement with a financial institution which provided for total borrowings up to $16,000,000. The terms of the agreement provide for a revolving line of credit, up to the commitment amount of $12,000,000 for working capital requirements and the issuance of letters of credit, an equipment line of credit, which provides for borrowings up to $2,000,000, and a term loan of $2,000,000, to be used only to consolidate and refund other existing long-term debt. The facility is renewable annually and expires on January 31, 2003. The Company executed the term loan of $2,000,000, and as of December 28, 2002, has an outstanding balance of $1,125,000. The term loan, and any additional borrowings under the agreements, accrue interest based on the LIBOR rate plus 2.0%, which was 3.38% at December 28, 2002, and are repayable in 48 equal monthly payments of principal plus accrued interest. In March 2002, the Company drew down $375,000 against the equipment line of credit. Borrowings under the equipment line of credit accrue interest at an annual rate of 4.25%. As of December 28, 2002, the Company had an outstanding balance of $375,000 under the equipment line of credit, which has been classified as a current liability. In addition, six letters of credit totaling $2,830,000 have been issued to the lessor of the Company's facilities. All borrowings under the financing agreements are collateralized by all of the Company's assets.

Aggregate annual maturities of notes payable at December 28, 2002 are as follows (in thousands):

2003	$ 875
2004	500
2005	125
	1,500
Less: Current portion	(875)
	$ 625

In February 2003, the financing agreement was amended to increase the revolving line of credit, to allow for a maximum commitment amount of $16,000,000. The revolving line of credit, as amended, is renewable annually and expires on February 21, 2005.

Note 6 — Commitments and Contingencies:

The Company leases its facilities under various operating leases which expire through December 2011. In addition to the base rental, the Company is responsible for certain taxes, insurance and maintenance costs. Under the terms of the lease agreements, the Company has the option to extend the term leases. As of December 28, 2002, aggregate future minimum lease payments are as follows (in thousands):

2003	$ 3,177
2004	2,426
2005	2,258
2006	2,258
2007	2,258
Thereafter	8,463
	$20,840

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Rent expense for the years ended December 30, 2000, December 29, 2001 and December 28, 2002 was approximately $932,000, $1,016,000 and $2,902,000, respectively.

During fiscal 2000, the Company received $1,330,000 from the settlement of a claim against a licensee for an alleged breach of a license agreement. This amount was recognized immediately as other income.

From time to time, the Company may become involved in litigation relating to additional claims arising from the ordinary course of business. Management is not currently aware of any matters that will have a material adverse affect on the financial position, results of operations or cash flows of the Company.

Note 7 — Redeemable Convertible Preferred Stock:

Under the Company's Certificate of Incorporation, the Company's redeemable convertible preferred stock is issuable in series.

From April through December 1995, the Company sold 6,389,103 shares of Series A redeemable convertible preferred stock to new investors for net cash proceeds of $349,000.

In December 1995, the Company sold 3,448,293 shares of Series B redeemable convertible preferred stock to new investors for net cash proceeds of $2,967,000.

From May through July 1996, the Company sold 3,298,161 shares of Series C redeemable convertible preferred stock to existing and 60% to new investors for net cash proceeds of $5,426,000.

From April 1997 through October 1998, the Company sold 5,552,973 shares of Series D redeemable convertible preferred stock to existing and 84% to new investors for net cash proceeds of $19,221,000. In October 2000, the Company issued an additional 326,545 shares of Series D redeemable convertible preferred stock pursuant to the exercise of a warrant. In June 2002, the Company issued an additional 8,083 shares of Series D redeemable convertible preferred stock pursuant to the exercise of a warrant.

From August through October 1999, the Company sold 2,666,666 shares of Series E redeemable convertible preferred stock to existing and 80% to new investors for net cash proceeds of $19,950,000.

From September through November 2000, the Company sold 633,130 shares of Series F redeemable convertible preferred stock to existing and 94% to new investors for net cash proceeds of $6,910,000.

From July through September 2001, the Company sold 679,672 shares of Series G redeemable convertible preferred stock to an existing and 98% to new investors for net cash proceeds of $10,072,000.

As of December 30, 2000, the redeemable convertible preferred stock comprised (in thousands, except share and per share data):

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Proceeds, Net of Issuance Cost	Liquidation Preference Per Share	Annual Dividends Per Share
Series A	6,389,103	6,389,103	$ 349	$ —	$0.0424
Series B	3,527,258	3,448,293	2,967	0.87	0.0696
Series C	3,300,000	3,298,161	5,426	1.65	0.1320
Series D	6,376,812	5,879,518	19,221	3.45	0.2760
Series E	2,866,667	2,666,666	19,950	7.50	0.6000
Series F	750,000	633,130	6,910	11.00	0.8800
	23,209,840	22,314,871	$54,823		

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 29, 2001, the redeemable convertible preferred stock comprised (in thousands, except share and per share data):

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Proceeds, Net of Issuance Cost	Liquidation Preference Per Share	Annual Dividends Per Share
Series A	6,389,103	6,389,103	$ 349	$ —	$0.0424
Series B	3,527,258	3,448,293	2,967	0.87	0.0696
Series C	3,300,000	3,298,161	5,426	1.65	0.1320
Series D	6,376,812	5,879,518	19,221	3.45	0.2760
Series E	2,866,667	2,666,666	19,950	7.50	0.6000
Series F	750,000	633,130	6,910	11.00	0.8800
Series G	1,470,000	679,672	10,072	15.00	1.2000
	24,679,840	22,994,543	$64,895		

As of December 28, 2002 and March 29, 2003 (unaudited) the redeemable convertible preferred stock comprised (in thousands, except share and per share data):

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Proceeds, Net of Issuance Cost	Liquidation Preference Per Share	Annual Dividends Per Share
Series A	6,389,103	6,389,103	$ 349	$ —	$0.0424
Series B	3,521,020	3,448,293	2,967	0.87	0.0696
Series C	3,298,161	3,298,161	5,426	1.65	0.1320
Series D	5,893,731	5,887,601	19,221	3.45	0.2760
Series E	2,666,666	2,666,666	19,950	7.50	0.6000
Series F	678,630	633,130	6,910	11.00	0.8800
Series G	679,672	679,672	10,072	15.00	1.2000
	23,126,983	23,002,626	$64,895		

The rights, preferences and privileges of the redeemable convertible preferred stock are as follows:

Dividends

The holders of Series B, Series C, Series D, Series E, Series F and Series G redeemable convertible preferred stock are entitled to receive the above annual dividends which are cumulative, accrue quarterly, and are payable when and as declared by the Board of Directors. After payment of the dividends on the Series B, Series C, Series D, Series E, Series F and Series G redeemable convertible preferred stock, holders of Series A redeemable convertible preferred stock are entitled to receive non-cumulative annual dividends as stated above, when and as declared by the Board of Directors. No dividends can be paid on common stock until the dividends on the redeemable convertible preferred stock have been paid in full. As of March 29, 2003 (unaudited), no dividends have been declared or paid. As there are no fixed redemption dates associated with the preferred stock and as no dividends have been declared to date, no amounts have been accrued for the dividends. As of March 29, 2003, the amount of dividends in arrears is approximately $22,151,000 (unaudited).

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Liquidation

The holders of the Series D, Series E, Series F and Series G redeemable convertible preferred stock shall be entitled to receive prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series C, Series B and Series A redeemable convertible preferred stock or common stock by reason of their ownership thereof, an amount per share as stated in the table above (each as adjusted for any stock dividends, combinations or splits with respect to such shares) plus all accrued or declared but unpaid dividends on each such share. If upon the occurrence of such event, the assets and funds thus distributed among the holders of the Series D, Series E, Series F and Series G redeemable convertible preferred stock shall be insufficient to permit the payment to such holders of the full preferential amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably and with equal priority among the holders of the Series D, the Series E, the Series F and the Series G redeemable convertible preferred stock in proportion to the preferential amount each such holder is otherwise entitled to receive. After payment has been made to the holders of the Series D, the Series E, the Series F and the Series G redeemable convertible preferred stock of the full amounts to which they shall be entitled, the holders of the Series B and Series C redeemable convertible preferred stock are entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds to the holders of the Series A redeemable convertible preferred stock or common stock by reason of their ownership thereof, an amount per share as stated in the table above (each adjusted for any stock dividends, combinations or splits with respect to such shares). After payment has been made to the holders of the Series D, Series E, Series F, Series G, Series B and Series C redeemable convertible preferred stock of the full amounts to which they shall be entitled, any remaining assets are distributed pro-rata to holders of Series A convertible preferred and common stock.

Redemption

The merger or consolidation of the Company into another entity or any transactions in which more than 50% of the voting power of the Company is disposed of or the sale, transfer or disposition of substantially all of the property or business of the Company is deemed a liquidation, dissolution, or winding up of the Company. These liquidation characteristics require classification of the redeemable convertible preferred stock outside of the stockholders' equity (deficit) section as these factors are outside the control of the Company. The redeemable convertible preferred stock is not redeemable in any other circumstances.

Voting

Each share of preferred stock is entitled to vote on an "as converted" basis along with common stockholders. The holders of Series B redeemable convertible preferred stock shall have the right, voting together as a separate class, to elect one member of the Board of Directors. The holders of common stock and Series A redeemable convertible preferred stock shall have the right, voting together as a separate class, to elect two members to the Board of Directors. The holders of at least 70% of Series D redeemable convertible preferred stock shall have the right, voting together as a separate class, to elect one member to the Board of Directors. The remaining director shall be elected by the holders of common stock and Series A, Series B, Series C, Series D, Series E, Series F and Series G redeemable convertible preferred stock, voting together as a single class, with the holder of each share of the preferred stock entitled to the number of votes equal to the number of shares of common stock into which such share of preferred stock could then be converted.

Conversion

Each share of preferred stock, at the option of the holders, is convertible into the number of fully paid and nonassessable shares of common stock which results from dividing the respective conversion price per share in effect for the preferred stock at the time of conversion by the per share conversion value of such shares in effect at that time. The initial per share conversion price and per share conversion value of the Series A, Series B,

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Series C, Series D, Series E, Series F and Series G preferred stock is $0.53, $0.87, $1.65, $3.45, $7.50, $11.00 and $15.00 per share, respectively. Conversion is automatic at its then effective conversion rate upon the earlier of (i) in the case of the Series A, Series B, Series C and Series D preferred stock, the closing of the sale of the Company's common stock in a firm commitment underwritten public offering with aggregate proceeds of at least $10,000,000 at a price not less than $6.90 per share, (ii) in the case of the Series E preferred stock, the closing of the sale of the common stock in a firm commitment underwritten public offering with aggregate proceeds of at least $10,000,000 at a price not less than $7.50 per share, (iii) in the case of the Series F preferred stock, the closing of the sale of the common stock in a firm commitment underwritten public offering with aggregate proceeds of at least $10,000,000 at a price not less than $11.00 per share, (iv) in the case of the Series G preferred stock, the closing of the sale of the common stock in a firm commitment underwritten public offering with aggregate proceeds of at least $10,000,000 at a price not less than $15.00 per share and (v) the date specified by written consent or agreement of the holders of not less than two-thirds of the then outstanding shares of each series of preferred stock.

In the event of the sale by the Company of common stock below $11.00 per share in a public offering, the conversion price of the Series F and Series G redeemable convertible preferred stock will be adjusted pursuant to a defined adjustment formula. As a result of that adjustment, each share of Series F and Series G redeemable convertible preferred stock will convert upon such a public offering into more than one share of common stock. In the event of the sale of common stock at or above $11.00 in a public offering, the conversion price of the Series F and Series G redeemable convertible preferred stock will not be adjusted.

Warrants

In connection with a financing agreement entered into by the Company in April 1996, the Company issued warrants to purchase an aggregate of 72,727 shares of Series B redeemable convertible preferred stock at an exercise price of $1.65 per share. These warrants expire upon the later of April 2006 or five years after the closing of an underwritten initial public offering. The value of these warrants determined using a Black-Scholes model was not material.

In September 2000, the Company entered into a seven year technology license agreement to transfer technology to a related party. In connection with the license agreement, the Company issued a warrant to purchase 45,500 shares of Series F redeemable convertible preferred stock at an exercise price of $11.00 per share. The warrant was fully vested upon grant and nonforfeitable. This warrant is exercisable on September 22, 2005 and would have become exercisable earlier with respect to 22,750 shares on March 22, 2003 if, on or before that date, the warrant holder had achieved specified commercial milestones. Further, the warrant will become exercisable immediately with respect to all 45,500 shares if the warrant holder has achieved certain higher commercial milestones. As of March 29, 2003 (unaudited), no shares are exercisable. This warrant expires upon the earlier of September 23, 2005 or immediately prior to an acquisition of the Company. The Company reserved 45,500 shares of Series F redeemable convertible preferred stock in the event of exercise. The fair value of this warrant, estimated on the date of grant using a Black-Scholes model, of $306,220 has been capitalized as an other asset, and is being amortized against revenue using the straight-line method over the expected life of the technology of five years. The assumptions used in the calculation were: dividend yield of 0%; expected volatility of 67%; an expected term of 5 years; risk free interest rate of 6.00%.

Note 8 — Stockholders' Equity (Deficit):

Preferred stock

The Company has authorized 10,000,000 shares of undesignated preferred stock, $0.001 par value, none of which is issued and outstanding. The Company's Board of Directors shall determine the rights, preferences, privileges and restrictions of the preferred stock, including dividends rights, conversion rights, voting rights,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of any series.

Common stock

Each share of common stock has the right to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to the prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared or paid as of March 29, 2003 (unaudited).

During fiscal 2000, 2001 and 2002, the Company issued fully vested unrestricted common stock in exchange for goods or services from non-employees. The Company believes that the fair value of the common stock is more reliably measurable than the fair value of the consideration received. The Company has measured these transactions using the fair value of the unrestricted common stock at the time of issuance and has recognized the related expenses immediately.

Stock option plans

The Company has reserved shares of common stock for issuance under the 1996 Stock Option Plan, Incentive Option Plan and Management Incentive Option Plan (the “Plans”). Under all Plans, the Board of Directors may issue incentive stock options to employees and nonqualified stock options and stock purchase rights to consultants or employees of the Company. The Board of Directors has the authority to determine to whom options will be granted, the number of shares, the term and exercise price (which cannot be less than fair market value at date of grant for incentive stock options or 85% of fair market value for nonqualified stock options). If an employee owns stock representing more than 10% of the outstanding shares, the price of each share shall be at least 110% of the fair market value, as determined by the Board of Directors. Generally, all options are immediately exercisable and vest 25% on the first anniversary of the vesting commencement date and on a monthly basis thereafter for a period of an additional three years. The options have a maximum term of ten years. Unvested option exercises are subject to repurchase upon termination of the holder’s status as an employee or consultant. At December 28, 2002 and March 29, 2003, 189,849 shares of common stock and 180,201 shares of common stock (unaudited), respectively, were subject to the Company’s right of repurchase.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Activity under the Plans is set forth below (in thousands, except share and per share data):

		Outstanding Options			
	Shares Available	Number of Shares	Exercise Price	Aggregate Price	Weighted Average Exercise Price
Balances, December 26, 1999	687,404	1,889,182	$0.10-$5.00	$ 4,735	$2.51
Additional shares reserved	1,885,000	—	—	—	—
Options granted	(2,238,660)	2,238,660	5.50-6.00	12,558	5.61
Options exercised	—	(509,275)	0.10-6.00	(2,189)	4.30
Options canceled	353,986	(353,986)	0.165-6.00	(1,406)	3.97
Balances, December 30, 2000	687,730	3,264,581	0.10-6.00	13,698	4.20
Additional shares reserved	1,840,000	—	—	—	—
Options granted	(1,952,073)	1,952,073	6.00-6.50	12,308	6.31
Options exercised	—	(168,229)	0.10-6.00	(341)	2.03
Options canceled/shares repurchased	922,278	(885,971)	0.50-6.50	(4,444)	5.02
Balances, December 29, 2001	1,497,935	4,162,454	0.10-6.50	21,221	5.10
Additional shares reserved	3,500,000	—	—	—	—
Options granted	(1,999,243)	1,999,243	6.50-8.00	13,364	6.68
Options exercised	—	(223,113)	0.10-6.50	(1,070)	4.79
Options canceled	234,559	(234,559)	1.50-8.00	(1,390)	5.93
Balances, December 28, 2002	3,233,251	5,704,025	0.10-8.00	32,125	5.63
Options granted (unaudited)	(65,000)	65,000	6.50	423	6.50
Options exercised (unaudited)	—	(24,940)	0.10-6.50	(67)	2.70
Options canceled (unaudited)	69,057	(69,057)	2.50-6.50	(389)	5.63
Balances, March 29, 2003 (unaudited)	3,237,308	5,675,028	$0.10-$8.00	$32,092	$5.65

The options outstanding and vested by exercise price at December 29, 2001 are as follows:

	Options Outstanding and Exercisable			Options Vested	
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Vested	Weighted Average Exercise Price
$0.10 - $1.25	261,587	5.55	$0.61	261,009	$0.61
$1.50	91,439	6.83	1.50	68,539	1.50
$2.50 - $3.00	25,025	7.26	2.55	16,726	2.54
$3.25	682,902	7.45	3.25	251,437	3.25
$3.75 - $5.00	39,633	7.74	4.30	23,117	4.26
$5.50	974,940	8.62	5.50	208,154	5.50
$6.00	923,035	9.09	6.00	148,273	6.00
$6.50	1,163,893	9.79	6.50	28,501	6.50
	4,162,454			1,005,756	

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The options outstanding and vested by exercise price at December 28, 2002 are as follows:

	Options Outstanding and Exercisable			Options Vested	
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Vested	Weighted Average Exercise Price
$0.10 - $1.25	220,378	4.62	$0.66	220,378	$0.66
$1.50	74,821	5.81	1.50	74,549	1.50
$2.50 - $3.00	23,641	6.26	2.54	22,193	2.54
$3.25	666,813	6.45	3.25	465,382	3.25
$3.75 - $5.00	30,414	6.71	4.23	26,109	4.23
$5.50	930,316	7.62	5.50	364,025	5.50
$6.00	776,222	8.09	6.00	383,117	6.00
$6.50	2,723,120	9.18	6.50	135,677	6.50
$7.50 - $8.00	258,300	9.37	7.87	—	—
	5,704,025			1,691,430	

The options outstanding and vested by exercise price at March 29, 2003 (unaudited) are as follows:

	Options Outstanding and Exercisable			Options Vested	
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Vested	Weighted Average Exercise Price
$0.10 - $1.25	207,878	4.38	$0.67	207,878	$0.67
$1.50	74,821	5.56	1.50	74,821	1.50
$2.50 - $3.00	14,975	5.99	2.57	14,891	2.56
$3.25	661,030	6.20	3.25	522,951	3.25
$3.75 - $5.00	26,196	6.43	4.11	23,565	4.09
$5.50	924,416	7.37	5.50	411,362	5.50
$6.00	742,491	7.83	6.00	415,771	6.00
$6.50	2,764,921	8.95	6.50	183,783	6.50
$7.50 - $8.00	258,300	9.12	7.87	—	—
	5,675,028			1,855,022	

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-based compensation

The Company has adopted the disclosure only provisions of SFAS No. 123. The Company calculated the fair value of each option on the date of grant using the minimum value method as prescribed by SFAS No. 123. The assumptions used are as follows:

	Years Ended			Three Months Ended	
	December 30, 2000	December 29, 2001	December 28, 2002	March 30, 2002	March 29, 2003
				(unaudited)	
Risk-free interest rate	6.24%	4.58%	4.48%	4.83%	3.03%
Expected life (in years)	5	5	5	5	5
Dividend yield	—	—	—	—	—

As the determination of fair value of all options granted after such time the Company becomes a public company will include an expected volatility factor in addition to the factors described in the preceding table, the pro forma net income (loss) (see Note 2) may not be representative of future periods.

The weighted-average per share grant date fair value of options granted during the years ended December 30, 2000, December 29, 2001, December 28, 2002 and three months ended March 29, 2003 (unaudited) was $1.46, $1.06, $1.32 and $0.90, respectively.

Deferred stock-based compensation

During fiscal 2001, 2002 and the three months ended March 29, 2003, the Company issued options to certain employees under the Plan with exercise prices below the deemed fair market value of the Company's common stock at the date of grant. In accordance with the requirements of APB No. 25, the Company has recorded deferred stock-based compensation for the difference between the exercise price of the stock option and the deemed fair market value of the Company's stock at the grant. This deferred stock-based compensation is amortized to expense on a straight line basis over the period during which the Company's right to repurchase the stock lapses or the options become vested, generally four years. During the years ended December 29, 2001, December 28, 2002, and the three months ended March 29, 2003 the Company has recorded deferred stock-based compensation related to these options in the amounts of $4,265,000, $9,262,000 and $62,000 (unaudited), net of cancellations, respectively, of which $195,000, $997,000 and $333,000 (unaudited) had been amortized to expense during fiscal 2001, 2002 and for the three months ended March 29, 2003, respectively.

Stock-based compensation expense related to stock options granted to non-employees is recognized on a straight line basis, as the stock options are earned. During fiscal 2000 and 2001, the Company issued options to non-employees. The options generally vest ratably over four years. The values attributable to these options are amortized over the service period and the vested portion of these options were remeasured at each vesting date. The Company believes that the fair value of the stock options is more reliably measurable than the fair value of the services received. The fair value of the stock options granted were revalued at each reporting date using the Black-Scholes option pricing model as prescribed by SFAS No. 123 using the following assumptions:

	Years Ended	
	December 30, 2000	December 29, 2001
Risk-free interest rate	6.05%	5.75%
Expected life (in years)	10	10
Dividend yield	—	—
Expected volatility	67%	67%

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The stock-based compensation expense will fluctuate as the deemed fair market value of the common stock fluctuates. In connection with the grant of stock options to non-employees, the Company recorded deferred stock-based compensation of $259,000, $91,000, none and none (unaudited) for the years ended December 30, 2000, December 29, 2001, December 28, 2002, and for the three months ended March 29, 2003, respectively. Stock-based compensation expenses related to options granted to non-employees were allocated to research and development, selling, general and administrative expenses as follows (in thousands):

	Years Ended			Three Months Ended	
	December 30, 2000	December 29, 2001	December 28, 2002	March 30, 2002	March 29, 2003
				(unaudited)	
Research and development	$ 61	$ 70	$ —	$ —	$ —
Selling, general and administrative	198	204	42	—	—
	$259	$274	$ 42	$ —	$ —

2002 Equity Incentive Plan

On April 18, 2002, the Board of Directors adopted the 2002 Equity Incentive Plan ("2002 Plan"), which will become effective upon the effective date of an initial public offering of the Company's common stock. The 2002 Plan provides for the grant of both incentive stock options and non-qualified stock options, restricted stock and stock bonuses. The incentive stock options may be granted to the employees and the non-qualified stock options, and all awards other than incentive stock options, may be granted to employees, officers, directors and consultants. The exercise price of incentive stock options must be at least equal to the fair market value of common stock on the date of grant. The exercise price of incentive stock options granted to 10% stockholders must be at least equal to 110% of the fair market value of common stock on the date of grant. The Company has reserved 500,000 shares of common stock for issuance under the 2002 Plan plus any shares which have been reserved but not issued under the Company's existing Plans, plus any shares repurchased at the original purchase price and any options which expire, thereafter. The Company will not grant any options under the 1996 Stock Option Plan, the Incentive Option Plan and the Management Incentive Option Plan after the effectiveness of the 2002 Plan. In addition, on each January 1, the number of shares available for issuance under the 2002 Plan will be increased by an amount equal to 5.0% of the outstanding shares of common stock on the preceding day.

2002 Employee Stock Purchase Plan

On April 18, 2002, the Board of Directors approved the 2002 Employee Stock Purchase Plan ("2002 ESPP"), which will commence on the first day that price quotations are available for the Company's common stock on the Nasdaq National Market. The 2002 ESPP is designed to enable eligible employees to purchase shares of common stock at a discount on a periodic basis through payroll deductions or through a single lump sum cash payment in the case of the first offering period. Except for the first offering period which will have an approximately six-month duration, each offering period will be for two years and will consist of four six-month purchase periods. The price of the common stock purchased shall be 85% of the lesser of the fair market value of the common stock on the first day of the applicable offering period or the last day of each purchase period. 1,500,000 shares of common stock are reserved for issuance under the 2002 ESPP and will be increased on each January 1 by an amount equal to 1.0% of the outstanding shares of common stock on the preceding day.

Notes receivable

In fiscal 2000 and 2001, the Company received full recourse notes receivable from certain employees in exchange for common stock. The notes bear interest at the applicable market interest rate, ranging from 4.46% to 6.60%, and have due dates through May 2007. Under the terms of the full recourse notes receivable, the Company

may proceed against any assets of the holder of the notes, or against the collateral securing the notes, or both, in event of default. The notes are collateralized by the underlying shares of common stock.

Note 9 — Income Taxes:

The components of the provision (benefit) for income taxes are as follows (in thousands):

	Years Ended		
	December 30, 2000	December 29, 2001	December 28, 2002
Current:			
Federal	$114	$158	$ 385
State	1	108	(14)
Foreign	—	41	143
	115	307	514
Deferred:			
Federal	—	—	(2,073)
State	—	—	(1,566)
Total provision (benefit) for income taxes	$115	$307	$(3,125)

At December 28, 2002, the Company had state net operating loss carryforward of approximately $825,000 available to offset future taxable income. This carryforward begins to expire in 2006 unless utilized.

At December 28, 2002, the Company had research credit carryforwards of approximately $742,000 and $836,000 for federal and state income tax purposes, respectively. If not utilized, the federal carryforwards will expire in various amounts beginning in 2019. The state research credit can be carried forward indefinitely.

Under the Internal Revenue Code, as amended, and similar state provisions, certain substantial changes in the Company's ownership could result in an annual limitation on the amount of credit net operating loss and carryforwards that can be utilized in future years to offset future taxable income. Annual limitations may result in the expiration of net operating loss and credit carryforwards before they are used.

Components of the Company's deferred tax assets are as follows (in thousands):

	December 29, 2001	December 28, 2002
Net operating losses	$ 1,225	$ 37
Tax credits	3,468	2,297
Depreciation and amortization	208	(196)
Other reserves and accruals	4,160	1,501
	9,061	3,639
Less: Valuation allowance	(9,061)	—
	$ —	$3,639

Management periodically evaluates the recoverability of the deferred tax assets and recognizes the tax benefit only as reassessment demonstrates that they are realizable. At such time, if it is determined that it is more likely than not that the deferred tax assets are realizable, the valuation allowance will be adjusted. At December 29, 2001, the Company provided a valuation allowance against its deferred tax assets due to the uncertainty regarding their realizability. As of December 28, 2002, the Company has released the valuation

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

allowance because it believes it is more likely than not that all deferred tax assets will be realized in the foreseeable future.

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision (benefit) for income taxes consisted of:

	Years Ended		
	December 30, 2000	December 29, 2001	December 28, 2002
Federal statutory rate	34.0%	34.0%	34.0%
State taxes and credits, net of federal benefit	(46.8)	(77.4)	2.0
Non-deductible deferred stock-based compensation	4.0	28.6	4.7
No tax benefit of foreign losses	15.9	183.9	44.6
Extraterritorial income exclusion	—	(35.0)	(2.6)
Tax credits	(32.4)	(132.3)	(4.7)
Change in valuation allowance	35.4	56.0	(125.3)
Permanent items and other	(4.4)	(2.7)	4.2
Total	5.7%	55.1%	(43.1)%

Note 10 — Employee Benefit Plan:

In 1996, the Company adopted a retirement plan which is qualified under Section 401(k) of the Internal Revenue Code of 1986. Eligible employees may make voluntary contributions to the retirement plan of up to 25% of their annual compensation, not to exceed the statutory amount, and the Company may make matching contributions. The Company made no contributions to the retirement plan in fiscal 2000, 2001 and 2002.

Note 11 — Operating Segment and Geographic Information:

As of December 29, 2001, December 28, 2002 and March 29, 2003, 97%, 97% and 95% (unaudited) of long-lived assets are maintained in the United States of America, respectively.

The following table summarizes revenue by geographic region:

	Years Ended			Three Months Ended	
	December 30, 2000	December 29, 2001	December 28, 2002	March 30, 2002	March 29, 2003
				(unaudited)	
North America	42.0%	52.7%	55.6%	66.4%	52.4%
Taiwan	25.4	26.4	20.9	12.8	18.7
Asia (excluding Japan and Taiwan)	8.0	0.2	0.9	0.1	5.1
Japan	8.2	6.9	7.1	4.9	15.2
Europe	16.4	13.8	15.5	15.8	8.6
Total export sales	100.0%	100.0%	100.0%	100.0%	100.0%

Note 12 — Related Party Transactions:

The Company provided services or sold products to related parties, who are also stockholders of the Series D, Series E, Series F and Series G redeemable convertible preferred stock which were issued by the Company in 1997, 1999, 2000 and 2001, respectively. For the years ended December 30, 2000, December 29, 2001 and December 28, 2002, revenue recognized from these related parties was $35,311,000, $46,042,000 and

$50,639,000, respectively. At December 29, 2001 and December 28, 2002, the Company had accounts receivable of $7,313,000 and $8,593,000, respectively, from its related parties.

The Company purchased inventories from related parties, and paid commissions to related parties, who are also stockholders of the Series E and Series G redeemable convertible preferred stock. For the years ended December 30, 2000, December 29, 2001 and December 28, 2002, transactions with these related parties were $133,000, $11,458,000 and $9,767,000, respectively. At December 29, 2001 and December 28, 2002, the Company had accounts payable of $1,458,000 and $2,903,000, respectively, to its related parties.

The Company received professional services from a law firm that is affiliated with two entities that are stockholders of the Series D and Series F redeemable convertible preferred stock, which were issued by the Company in 1997 and 2000, respectively. For the years ended December 30, 2000, December 29, 2001 and December 28, 2002, expenses relating to these professional services were $498,000, $199,000 and $77,000, respectively. In addition, the Company incurred costs of $530,000 in fiscal 2002 with this law firm for professional services, relating to the filing of the Company's Registration Statement on Form S-1. At December 29, 2001 and December 28, 2002, the Company had accounts payable of $28,600 and $209,000, respectively, to this law firm.

Note 13 — Unaudited Pro Forma Net Income Per Share:

Pro forma basic and diluted net income per share have been computed to give effect to redeemable convertible preferred stock that will convert to common stock upon the closing of the Company's initial public offering (using the as-converted method) for the year ended December 28, 2002 and the three months ended March 29, 2003 as if the closing occurred at the beginning of fiscal 2002. The Series F and Series G redeemable convertible preferred stock agreements contain clauses that in the event of a sale by the Company of common stock below $11.00 per share in a public offering, the conversion price of the Series F and Series G redeemable convertible preferred stock will be adjusted pursuant to a defined adjustment formula. As a result, assuming an offering price of $10.00 per share of common stock, an additional 8,776 and 35,872 shares of common stock will be issued to reflect the effect of the antidilution conversion price adjustments to the Series F and Series G redeemable convertible preferred stock, respectively. The issuance of these additional shares will result in a beneficial conversion feature in accordance with EITF Issue No. 00-27. Accordingly, assuming an offering price of $10.00 per share of common stock, upon issuance of these additional shares the Company will recognize $446,480 within Stockholders' deficit to account for the deemed dividend. A reconciliation of the numerator and

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

denominator used in the calculation of pro forma basic and diluted net income per common share follows (in thousands, except per share data):

	Year Ended December 28, 2002	Three Months Ended March 29, 2003
		(unaudited)
Numerator:		
Net income	$10,359	$ 699
Dividend related to beneficial conversion feature of preferred stock	(446)	—
Net income available to common stockholders	$ 9,913	$ 699
Denominator:		
Weighted-average shares outstanding used in computing basic net income per common share	4,448	4,539
Adjustments to reflect the effect of the assumed conversion of the preferred stock from the date of issuance	23,043	23,047
Weighted-average shares used in computing basic pro forma net income per common share	27,491	27,586
Adjustments to reflect the effect of the assumed conversion of options outstanding, warrants and weighted-average unvested common shares subject to repurchase	2,108	1,725
Weighted-average shares used in computing diluted pro forma net income per common share	29,599	29,311
Pro forma net income per common share:		
Basic	$ 0.36	$ 0.03
Diluted	$ 0.33	$ 0.02

Note 14 — Subsequent Events (unaudited):

In May 2003, the Company received a Notice of Violation from the Bay Area Quality Management District regarding its record keeping for usage of wipe cleaning solvent. The Company has introduced corrective action to prevent any continued or recurrent record keeping violation. At this point in time the Company is unable to determine the outcome of the violation but the final resolution could have a material adverse effect on the Company's financial position, results of operations or cash flows.

On May 15, 2003, the Company approved the grant of options to purchase 314,586 shares of common stock under the 2002 Plan at an exercise price equal to the price per share of which the Company sells its common stock in its initial public offering. The Company also approved the grant of options to purchase 264,200 shares of common stock under the Plans at an exercise price of $9.00 per share.

FormFactor

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INSIDE BACK COVER PAGE

This page contains the picture of a wafer probe card manufactured by FormFactor. The wafer probe card is set in the lower half of the page and is held by a technician whose image fades into the background of the picture. In the top of the picture and written upon the image of the technician is the title of the picture, “Delivering the Solution.” The words “Delivering the Solution” are repeated in a larger font behind the title as a shadow to the title. Five lines of text appear below the title and above the image of the wafer probe card. The lines of text read from top to bottom as follows: “Proprietary Design Tools,” “MicroSpring Interconnect Technology,” “Micro-machining Manufacturing,” “Large Contact Arrays” and “Test Integration.” Each line of text stated in the sentence above has a shadow that repeats the line of text in a larger font. The FormFactor logo trademark placed next to the company’s name, “FORMFACTOR,” appears in the bottom left corner of the picture.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the expenses, other than the underwriting discounts and commissions, payable by the Registrant in connection with the sale and distribution of the shares of common stock being registered hereby, including the shares offered for sale by the selling stockholders. All amounts shown are estimates, except the Securities and Exchange Commission registration fee, the National Association of Securities Dealers, Inc. filing fee and the Nasdaq National Market listing fee.

Securities and Exchange Commission registration fee	$ 9,200
National Association of Securities Dealers, Inc. filing fee	10,500
Nasdaq National Market listing fee	100,000
Accounting fees and expenses	400,000
Legal fees and expenses	650,000
Printing expenses	275,000
Blue Sky fees and expenses	10,000
Transfer agent and registrar fees and expenses	15,000
Miscellaneous	80,300
Total	$1,550,000

Item 14. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers under certain circumstances and subject to certain limitations. The terms of Section 145 of the Delaware General Corporation Law are sufficiently broad to permit indemnification under certain circumstances for liabilities, including reimbursement of expenses incurred, arising under the Securities Act.

As permitted by the Delaware General Corporation Law, the Registrant's certificate of incorporation includes a provision that eliminates the personal liability of its directors for monetary damages for breach of fiduciary duty as a director, except for liability:

- for any breach of the director's duty of loyalty to the Registrant or its stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under Section 174 of the Delaware General Corporation Law regarding unlawful dividends and stock purchases; or
- for any transaction from which the director derived an improper personal benefit.

As permitted by the Delaware General Corporation Law, the Registrant's bylaws provide that:

- the Registrant is required to indemnify its directors and officers to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions where indemnification is not permitted by applicable law;
- the Registrant is required to advance expenses, as incurred, to its directors and officers in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to certain limited exceptions; and
- the rights conferred in the bylaws are not exclusive.

In addition, the Registrant intends to enter into indemnity agreements with each of its current directors and officers. These agreements will provide for the indemnification of the Registrant's officers and directors for all expenses and liabilities incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were agents of the Registrant. At present, there is no pending litigation or proceeding involving a director, officer or employee of the Registrant regarding which indemnification is sought, nor is the Registrant aware of any threatened litigation that may result in claims for indemnification.

The Registrant intends to obtain directors' and officers' insurance to cover its directors and officers for certain liabilities, including coverage for public securities matters.

The indemnification provisions in the Registrant's certificate of incorporation and bylaws and the indemnity agreements to be entered into between the Registrant and each of its directors and officers may be sufficiently broad to permit indemnification of the Registrant's directors and officers for liabilities arising under the Securities Act.

Reference is also made to Section 7 of the underwriting agreement (Exhibit 1.01 hereto), which provides for the indemnification by the underwriters of the Registrant and its executive officers, directors and controlling persons against certain liabilities, including liabilities arising under the Securities Act, in connection with matters specifically provided for in writing by the underwriters for inclusion in this Registration Statement.

See also the undertakings set out in response to Item 17.

Reference is made to the following documents filed as exhibits to this Registration Statement regarding relevant indemnification provisions described above and elsewhere herein:

Exhibit Document	Number
Form of Underwriting Agreement	1.01
Form of Restated Certificate of Incorporation to be filed upon the closing of the offering	3.02
Restated Bylaws of the Registrant to be effective upon the closing of the offering	3.04
Form of Indemnity Agreement	10.01
Sixth Amended and Restated Rights Agreement by and among the Registrant and certain stockholders of the Registrant dated July 13, 2001	4.02

Item 15. Recent Sales of Unregistered Securities.

In the three years prior to the filing of this Registration Statement or for such longer period as indicated below, the Registrant issued and sold the following unregistered securities.

1. In September 2000, the Registrant issued a warrant to a customer to purchase up to 45,500 shares of Series F preferred stock at an exercise price of $11.00 per share. The warrant is exercisable on September 22, 2005. The warrant, however, will become exercisable immediately with respect to all of these shares if the warrant holder achieves certain commercial milestones. If not earlier exercised, this warrant will expire September 23, 2005.

2. In September through November 2000, the Registrant issued and sold a total of 633,130 shares of Series F preferred stock to 19 investors, consisting of 14 individual investors, two corporate investors and three venture capital and investment funds for a total purchase price of $6,964,430, all of which was paid in cash.

3. In July and September 2001, the Registrant issued and sold a total of 679,672 shares of Series G preferred stock to five corporate investors for a total purchase price of $10,195,080, all of which was paid in cash.

4. In June 2002, the Registrant issued 8,083 shares of Series D preferred stock to a company, which held a warrant of the Registrant, pursuant to a cashless net exercise of the warrant.

5. From December 27, 1999 to March 29, 2003, the Registrant had issued 7,302 shares of common stock to its employees, directors, consultants and other service providers upon exercise of options under the Registrant's incentive option plan, with exercise prices ranging from $3.25 to $6.50 per share.

6. From December 27, 1999 to March 29, 2003, the Registrant had issued 448,750 shares of common stock to its employees, directors, consultants and other service providers upon exercise of options under the Registrant's management incentive option plan, with exercise prices ranging from $5.50 to $6.50 per share.

7. From December 27, 1999 to March 29, 2003, the Registrant had issued 15,167 shares of common stock to its employees, directors, consultants and other service providers upon exercise of options under the Registrant's 1995 stock plan, with exercise prices ranging from $0.10 to $0.165 per share.

8. From December 27, 1999 to March 29, 2003, the Registrant had issued 454,338 shares of common stock to its employees, directors, consultants and other service providers upon exercise of options under the Registrant's 1996 stock option plan, with exercise prices ranging from $0.165 to $8.00 per share.

9. From December 27, 1999 to March 29, 2003, the Registrant had issued 28,043 shares of common stock to nine of its consultants under stock purchase agreements, with purchase prices ranging from $5.50 to $8.00 per share.

The sales and issuances of securities above, other than the sales and issuances in items 5, 7 and 8, were determined to be exempt from registration under Section 4(2) of the Securities Act or Regulation D thereunder as transactions by an issuer not involving a public offering. The sales and issuances of securities listed above in items 5, 7 and 8 were deemed to be exempt from registration under the Securities Act by virtue of Rule 701 promulgated under Section 3(b) of the Securities Act as transactions pursuant to compensation benefits plans and contracts relating to compensation. All of the foregoing securities are deemed restricted securities for the purposes of the Securities Act.

Item 16. Exhibits and Financial Statement Schedules.

(a) The following exhibits are filed herewith:

Exhibit Number	Exhibit Title
1.01**	Form of Underwriting Agreement.
3.01	Amended and Restated Certificate of Incorporation of the Registrant as filed September 30, 2002.
3.02	Form of Amended and Restated Certificate of Incorporation of the Registrant to be filed upon the closing of the offering.
3.03	Amended and Restated Bylaws of the Registrant, as amended through March 14, 2002.
3.04	Form of Amended and Restated Bylaws of the Registrant to be effective upon the closing of the offering.
4.01	Specimen Common Stock Certificate.
4.02	Sixth Amended and Restated Rights Agreement by and among the Registrant and certain stockholders of the Registrant dated July 13, 2001.
4.03	Stockholders Agreement by and among the Registrant, Dr. Igor Y. Khandros, Susan Bloch and Richard Hoffman dated February 9, 1994.
4.04	Stockholders Agreement by and among the Registrant, Dr. Igor Y. Khandros, Susan Bloch and Milton Ohring dated April 11, 1994.
4.05	Stockholders Agreement by and among the Registrant, Dr. Igor Y. Khandros, Susan Bloch and Benjamin Eldridge dated August 12, 1994.
4.06	Stockholders Agreement by and among the Registrant, Dr. Igor Y. Khandros, Susan Bloch and Charles Baxley, P.C. dated September 8, 1994.

Exhibit Number	Exhibit Title
5.01**	Opinion of Fenwick & West LLP.
10.01	Form of Indemnity Agreement.
10.02	1995 Stock Plan, and form of option grant.
10.03	1996 Stock Option Plan, and form of option grant.
10.04	Incentive Option Plan, and form of option grant.
10.05	Management Incentive Option Plan, and form of option grant.
10.06**	2002 Equity Incentive Plan, and forms of option grant.
10.07**	2002 Employee Stock Purchase Plan.
10.08†**	Key Management Bonus Plan (2002).
10.08.1†**	Key Management Bonus Plan (2003).
10.08.2†**	Sales Incentive Plan (first half 2002).
10.08.3†**	Sales Incentive Plan (second half 2002).
10.08.4†**	Sales Incentive Plan (first half 2003).
10.09	Forms of promissory notes from executive officers and directors to the Registrant made in connection with exercise of options.
10.10	Loan Agreement by and between Stuart Merkadeau and the Registrant dated February 1, 2001.
10.11	Employment Offer Letter dated October 29, 1998 to Yoshikazu Hatsukano.
10.12	Lease by and between Paul E. Iacono and the Registrant dated June 26, 1995.
10.12.1	First Option to Extend Lease Term by and between Paul E. Iacono and the Registrant dated October 4, 2002 for the Lease between the parties dated June 26, 1995.
10.13	Lease by and between Paul E. Iacono and the Registrant dated April 12, 1996.
10.13.1	First Option to Extend Lease Term by and between Paul E. Iacono and the Registrant dated October 4, 2002 for the Lease between the parties dated April 12, 1996.
10.14	Lease by and between Paul E. Iacono and the Registrant dated November 20, 1996.
10.14.1	First Option to Extend Lease Term by and between Paul E. Iacono and the Registrant dated October 4, 2002 for the Lease between the parties dated November 20, 1996.
10.15	Lease by and between Paul E. Iacono and the Registrant dated April 24, 1997.
10.15.1	First Option to Extend Lease Term by and between Paul E. Iacono and the Registrant dated October 4, 2002 for the Lease between the parties dated April 24, 1997.
10.16	Lease by and between Richard K. and Pamela K. Corbett, Robert and Cheryl Rumberger, Connie Duke and the Registrant dated March 12, 1998.
10.16.1	First Amendment to Standard Industrial/ Single Tenant Lease — Net by and between Richard K. Corbett and Pamela K. Corbett, Robert Rumberger and Cheryl Rumberger, and the Registrant dated April 30, 2003.
10.17	Lease by and between L One and the Registrant dated March 25, 1998.
10.18†**	Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated May 3, 2001.
10.18.1	First Amendment to Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated January 31, 2003.
10.19†**	Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated May 3, 2001.
10.19.1	First Amendment to Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated January 31, 2003.
10.20†**	Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated May 3, 2001.

Exhibit Number	Exhibit Title
10.20.1	First Amendment to Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated January 31, 2003.
10.21	Second Amended and Restated Loan and Security Agreement by and between Comerica Bank — California and the Registrant dated as of March 20, 2001, as amended through September 17, 2001.
10.22†**	Basic Purchase Agreement by and among Infineon Technologies Aktiengesellschaft, Whiteoak Semiconductor Partnership, Promos Technologies Inc. and the Registrant dated July 9, 1999.
10.22.1	Letter Agreement by and between Infineon Technologies Aktiengesellschaft and the Registrant dated July 19, 2002.
10.23†**	Authorized International Distributor Agreement by and between Spirox Corporation and the Registrant dated June 1, 2000.
10.24†**	Probecard Purchase Agreement by and between Samsung Electronics Industries Co., Ltd. and the Registrant dated November 22, 2000.
10.24.1†**	Agreement by and between Samsung Electronics Industries Co., Ltd. and the Registrant dated October 31, 2001, Agreement by and between Samsung Electronics Industries Co., Ltd. and the Registrant dated January 10, 2002, and Agreement by and between Samsung Electronics Industries Co., Ltd. and the Registrant dated January 22, 2003.
10.25†**	Intel Corporation Purchase Agreement — Capital Equipment and Services by and between Intel Corporation and the Registrant dated January 8, 2001, and as amended on January 22, 2001, on March 1, 2001, and on April 1, 2001.
10.25.1†	Amendment to Intel Corporation Purchase Agreement by and between Intel Corporation and the Registrant dated May 22, 2002.
10.26	Second Modification to Second Amended and Restated Loan and Security Agreement by and between Comerica Bank — California and the Registrant dated as of January 15, 2002 and Third Modification to Second Amended and Restated Loan and Security Agreement by and between Comerica Bank — California and the Registrant dated as of May 14, 2002.
10.26.1	Letter Agreement by and between Comerica Bank — California and the Registrant dated July 10, 2002.
10.27†**	Production and Development Materials and Services Purchase Agreement by and between Harbor Electronics and the Registrant dated April 17, 2002.
10.28†**	Production and Development Materials and Services Purchase Agreement by and between NTK Technologies and the Registrant dated June 25, 2002.
10.29	Third Amended and Restated Loan and Security Agreement by and between Comerica Bank — California and the Registrant dated February 21, 2003.
21.01	List of Subsidiaries of Registrant.
23.01**	Consent of Fenwick & West LLP (See Exhibit 5.01).
23.02**	Consent of independent accountants.
24.01	Power of Attorney (see page II-8 of the original filing of this Registration Statement).

* To be filed by amendment.

** Filed herewith.

† Confidential treatment has been requested for portions of this exhibit. These portions have been omitted from this Registration Statement and have been filed separately with the Securities and Exchange Commission.

(b) *Financial Statement Schedule*

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of

FormFactor, Inc.:

Our audits of the consolidated financial statements referred to in our report dated January 17, 2003, except for the last paragraph of Note 5, as to which the date is February 21, 2003, appearing in the Registration Statement on Form S-1 of FormFactor, Inc. also included an audit of the financial statement schedule listed in Item 16(b) on Page II-5 of this Form S-1. In our opinion, the financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PRICEWATERHOUSECOOPERS LLP

San Jose, California

May 6, 2003

Schedule II

FORMFACTOR, INC.

VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 30, 2000, December 29, 2001 and December 28, 2002
(In thousands)

Descriptions	Balance at Beginning of Period	Additions	Deductions	Balance at End of Year
Allowance for doubtful accounts receivable:				
Year ended December 30, 2000	$ 612	$ —	$ 32	$ 580
Year ended December 29, 2001	$ 580	$ —	$ 166	$ 414
Year ended December 28, 2002	$ 414	$ 165	$ 326	$ 253
Reserve for excess and obsolete inventories:				
Year ended December 30, 2000	$5,420	$2,227	$ —	$7,647
Year ended December 29, 2001	$7,647	$4,504	$ 3,535	$8,616
Year ended December 28, 2002	$8,616	$1,279	$ 2,436	$7,459
Allowance against deferred tax assets:				
Year ended December 30, 2000	$7,972	$ 777	$ —	$8,749
Year ended December 29, 2001	$8,749	$ 312	$ —	$9,061
Year ended December 28, 2002	$9,061	$ —	$(9,061)	$ —

All other financial statement schedules have been omitted because the information required to be set forth herein is not applicable or is shown either in the consolidated financial statements or the notes thereto.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Amendment to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Livermore, State of California, on this 9th day of June 2003.

FORMFACTOR, INC.

By: /s/ STUART L. MERKADEAU

Stuart L. Merkadeau
Vice President, General Counsel and Secretary

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the date indicated.

Name	Title	Date
Principal Executive Officer:		
*	President, Chief Executive Officer and Director	June 9, 2003
Dr. Igor Y. Khandros		
Principal Financial Officer:		
*		
Jens Meyerhoff	Senior Vice President of Operations and Chief Financial Officer	June 9, 2003
Principal Accounting Officer:		
/s/ MICHAEL M. LUDWIG		
Michael M. Ludwig	Vice President of Human Resources and Finance, and Controller	June 9, 2003
Additional Directors:		
*	Director	June 9, 2003
Joseph R. Bronson		
*	Director	June 9, 2003
Dr. William H. Davidow		
*	Director	June 9, 2003
G. Carl Everett, Jr.		
*	Director	June 9, 2003
James A. Prestridge		
*By: /s/ STUART L. MERKADEAU		
Stuart L. Merkadeau, Attorney-in-Fact June 9, 2003		

Table of Contents

EXHIBIT INDEX

Exhibit Number	Exhibit Title
1.01	Form of Underwriting Agreement.
5.01	Opinion of Fenwick & West LLP.
10.06	2002 Equity Incentive Plan, and forms of option grant.
10.07	2002 Employee Stock Purchase Plan.
10.08†	Key Management Bonus Plan (2002).
10.08.1†	Key Management Bonus Plan (2003).
10.08.2†	Sales Incentive Plan (first half 2002).
10.08.3†	Sales Incentive Plan (second half 2002).
10.08.4†	Sales Incentive Plan (first half 2003).
10.18†	Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated May 3, 2001.
10.19†	Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated May 3, 2001.
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23.02	Consent of independent accountants.

† Confidential treatment has been requested for portions of this exhibit. These portions have been omitted from this Registration Statement and have been filed separately with the Securities and Exchange Commission.

Exhibit 1.01

_____ SHARES

FORMFACTOR, INC.

COMMON STOCK, INCLUDING PAR VALUE $0.001 PER SHARE

UNDERWRITING AGREEMENT

DATED JUNE __, 2003

June __, 2003

June___, 2003

Morgan Stanley & Co. Incorporated
Lehman Brothers Inc.
Banc of America Securities LLC
Thomas Weisel Partners LLC
c/o Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036

Dear Sirs and Mesdames:

FormFactor, Inc., a Delaware corporation (the "COMPANY"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "UNDERWRITERS"), and certain stockholders of the Company (the "SELLING STOCKHOLDERS") named in Schedule II hereto severally propose to sell to the several underwriters, an aggregate of 5,500,000 shares of the Company's Common Stock, par value $0.001 (the "FIRM SHARES") of which 5,105,305 shares are to be issued and sold by the Company and 394,695 shares are to be sold by the Selling Stockholders, each Selling Stockholder selling the amount set forth opposite such Selling Stockholder's name on Schedule II hereto.

The Company also proposes to issue and sell to the several Underwriters not more than an additional 825,000 shares of its Common Stock, par value $0.001 (the "ADDITIONAL SHARES") if and to the extent that you, as Managers of the offering, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 3 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "SHARES." The shares of Common Stock, par value $0.001 of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "COMMON STOCK." The Company and the Selling Stockholders are hereinafter sometimes collectively referred to as the "SELLERS."

The Company has filed with the Securities and Exchange Commission (the "COMMISSION") a registration statement, including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "SECURITIES ACT"), is hereinafter referred to as the "REGISTRATION STATEMENT"; the prospectus in the form first used to confirm sales of Shares is hereinafter referred to as the "PROSPECTUS." If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "RULE 462 REGISTRATION STATEMENT"), then any reference herein to the term "REGISTRATION STATEMENT" shall be deemed to include such Rule 462 Registration Statement.

Morgan Stanley & Co. Incorporated ("MORGAN STANLEY") has agreed to reserve a portion of the Shares to be purchased by it under this Agreement for sale to the Company's directors, officers, employees and business associates and other parties related to the Company (collectively, "PARTICIPANTS"), as set forth in the Prospectus under the heading "Underwriters" (the "DIRECTED SHARE PROGRAM"). The Shares to be sold by Morgan Stanley and its affiliates

pursuant to the Directed Share Program are referred to hereinafter as the "DIRECTED SHARES." Any Directed Shares not confirmed for purchase by any Participants by the end of the business day on which this Agreement is executed will be offered to the public by the Underwriters as set forth in the Prospectus.

1. Representations and Warranties. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) Based on advice from the Commission, the Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect and no proceedings for such purpose are pending before or, to the knowledge of the Company, threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(c) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(d) Each subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole; all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by the Company, free and clear of

all liens, encumbrances, equities or claims. Other than FormFactor Germany GmbH, FormFactor Magyarovszag Licencia Hasznosito, FormFactor K.K., FormFactor Korea, Inc. and FormFactor Europe Limited, the Company has no subsidiaries that are "significant subsidiaries" as defined in Rule 1-02(w) of Regulation S-X of the Securities Act (the "SIGNIFICANT SUBSIDIARIES").

(e) This Agreement has been duly authorized, executed and delivered by the Company.

(f) The authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus.

(g) The shares of Common Stock outstanding prior to the issuance of the Shares have been duly authorized and are validly issued, fully paid and non-assessable.

(h) The Shares have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(i) Each stockholder of the Company holding two percent (2%) or more of the Company's outstanding securities as of the date hereof has executed a "lock-up" agreement substantially in the form of Exhibit A hereto.

(j) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states or the bylaws and rules and regulations of the NASD in connection with the offer and sale of the Shares.

(k) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement).

(l) There are no legal or governmental proceedings pending or, to the knowledge of the Company, threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or any statutes, regulations, contracts or other documents that are

required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(m) The preliminary prospectus filed as part of Amendment No. 7 to the registration statement complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(n) The Company is not, and after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(o) Except as otherwise described in the Registration Statement, the Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("ENVIRONMENTAL LAWS"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(p) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(q) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement, except such as have been duly waived.

(r) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, (i) the Company and its subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction not in the ordinary course of business; (ii) the Company has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends; and (iii) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company and its subsidiaries, except in each case as described in the Prospectus.

(s) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiaries, taken as a whole, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries, in each case except as described in the Prospectus.

(t) The Company and its subsidiaries own or possess, license or can acquire or license on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing except as described in the Prospectus or which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse affect on the Company and its subsidiaries, taken as a whole.

(u) No material labor dispute with the employees of the Company or any of its subsidiaries exists, except as described in the Prospectus, or, to the knowledge of the Company, is imminent; and the Company is not aware, but without conducting any independent investigation, of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors that could have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(v) The Company and its subsidiaries are insured by the insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; neither the Company nor any of its subsidiaries has been refused any insurance coverage sought or applied for; and neither the Company nor any of its subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Prospectus.

(w) The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a

material adverse effect on the Company and its subsidiaries, taken as a whole, except as described the Prospectus.

(x) The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(y) The Registration Statement, the Prospectus and any preliminary prospectus comply, and any amendments or supplements thereto will comply, with any applicable laws or regulations of foreign jurisdictions in which the Prospectus or any preliminary prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program.

(z) No consent, approval, authorization or order of, or qualification with, any governmental body or agency, other than those obtained, is required in connection with the offering of the Directed Shares in any jurisdiction where the Directed Shares are being offered.

(aa) The Company has not offered, or caused Morgan Stanley or its affiliates to offer, Shares to any person pursuant to the Directed Share Program with the intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer's or supplier's level or type of business with the Company, or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products.

2. Representations and Warranties of the Selling Stockholders. Each of the Selling Stockholders represents and warrants to and agrees with each of the Underwriters that:

(a) This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder.

(b) The execution and delivery by such Selling Stockholder of, and the performance by such Selling Stockholder of its obligations under, this Agreement, the Custody Agreement signed by such Selling Stockholder and Equiserve, as Custodian, relating to the deposit of the Shares to be sold by such Selling Stockholder (the "CUSTODY AGREEMENT") and the Power of Attorney appointing certain individuals as such Selling Stockholder's attorneys-in-fact to the extent set forth therein, relating to the transactions contemplated hereby and by the Registration Statement (the "POWER OF ATTORNEY") will not contravene any provision of applicable law, or any agreement or other instrument binding upon such Selling Stockholder or any judgment, order or decree of any governmental body, agency or court having jurisdiction over such Selling Stockholder, and no consent, approval, authorization or order of, or qualification with, any

governmental body or agency is required for the performance by such Selling Stockholder of its obligations under this Agreement or the Custody Agreement or Power of Attorney of such Selling Stockholder, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(c) Such Selling Stockholder has, and on the Closing Date will have, valid title to, or a valid "security entitlement" within the meaning of Section 8-501 of the New York Uniform Commercial Code in respect of, the Shares to be sold by such Selling Stockholder free and clear of all security interests, claims, liens, equities or other encumbrances and the legal right and power, and all authorization and approval required by law, to enter into this Agreement, the Custody Agreement and the Power of Attorney and to sell, transfer and deliver the Shares to be sold by such Selling Stockholder or a security entitlement in respect of such Shares.

(d) The Custody Agreement and the Power of Attorney have been duly authorized, executed and delivered by such Selling Stockholder and are valid and binding agreements of such Selling Stockholder.

(e) Certificates in negotiable form for the Shares to be sold by such Selling Stockholder have been placed in custody under a Custody Agreement for delivery under this Agreement with the Custodian; such Selling Stockholder specifically agrees that the Shares represented by the certificates so held in custody for such Selling Stockholder are subject to the interests of the several Underwriters and the Company, that the arrangements made by such Selling Stockholder shall not be terminated by any act of such Selling Stockholder or by operation of law, whether by the death or incapacity of such Selling Stockholder (or, in the case of a Selling Stockholder who is not an individual, the dissolution or liquidation of such Selling Stockholder) or the occurrence of any other event prior to June __, 2003 if such death, incapacity, dissolution, liquidation or other such event should occur before the delivery of such Shares hereunder, certificates for such Shares shall be delivered by the Custodian in accordance with the terms and conditions of this Agreement as if such death, incapacity, dissolution, liquidation or other event had not occurred, regardless of whether the Custodian shall have received notice of such death, incapacity, dissolution, liquidation or other event.

(f) Delivery of the Shares to be sold by such Selling Stockholder and payment therefor pursuant to this Agreement will pass valid title to such Shares, free and clear of any adverse claim within the meaning of Section 8-102 of the New York Uniform Commercial Code, to each Underwriter who has purchased such Shares without notice of an adverse claim.

(g) All information furnished in writing by or on behalf of such Selling Stockholder for use in the Registration Statement and Prospectus is, and on the Closing Date will be, true, correct, and complete, and does not, and on the Closing Date will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make such information not misleading.

(h) Such Selling Stockholder has no reason to believe that the representations and warranties of the Company contained in Section 1 are not true and correct, is familiar with the Registration Statement and Prospectus and has no knowledge of any material fact, condition or information not disclosed in the Prospectus that has had, or may have, a material adverse effect on the Company and its subsidiaries, taken as a whole. Such Selling Stockholder is not prompted by any information concerning the Company or its subsidiaries which is not set forth in the Prospectus to sell its Shares pursuant to this Agreement.

(i) Such Selling Stockholder has not taken and will not take, directly or indirectly, any action designed to or that might reasonably be expected to cause or result in, the stabilization or manipulation of the price of any security of the Company or facilitate the sale or resale of the Shares.

3. Agreements to Sell and Purchase. Each Seller, severally and not jointly, hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from such Seller at $_____ a share (the "PURCHASE PRICE") the number of Firm Shares (subject to adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the number of Firm Shares set forth a Schedule I opposite the name of such Underwriter bears to the total number of Firm Shares.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have the right to purchase, severally and not jointly, up to 825,000 Additional Shares at the Purchase Price. You may exercise this right on behalf of the Underwriters in whole or from time to time in part by giving written notice of each election to exercise the option not later than 30 days after the date of this Agreement. Any exercise notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Each purchase date must be at least one business day after the written notice is given and may not be earlier than the closing date for the Firm Shares nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 5 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. On each day, Option Closing Date, (as defined below), if any, that Additional Shares are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased on such Option Closing Date (as defined below) as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

Each Seller hereby agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise; provided, however, that each Selling Stockholder may engage in any of the transactions permitted in the form of "lock-up" agreement attached hereto as Exhibit A and executed by each of the Selling Stockholders. The foregoing sentence shall not apply to (A) the Shares to be sold hereunder or (B) the issuance by the Company of shares of Common Stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof of which the Underwriters have been advised in writing and is described in the Prospectus or (C) the grant of options or the issuance of shares of Common Stock by the Company to employees, officers, directors advisors or consultants of the Company pursuant to employee benefit plans described in the Prospectus. In addition, each Selling Stockholder agrees that, without the prior written consent of Morgan Stanley & Co., Incorporated, on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus, make any demand for, or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

4. Terms of Public Offering. The Sellers are advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Sellers are further advised by you that the Shares are to be offered to the public initially at $_____ a share (the "PUBLIC OFFERING PRICE") and to certain dealers selected by you at a price that represents a concession not in excess of $_____ a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of $_____ a share, to any Underwriter or to certain other dealers.

5. Payment and Delivery. Payment for the Firm Shares to be sold by each Seller shall be made to such Seller in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on _____, 2003, or at such other time on the same or such other date, not later than _____, 2003, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "CLOSING DATE."

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the corresponding notice described in Section 3 or at such other time on the same or on such other date, in any event not later than _____, 2003, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "OPTION CLOSING DATE."

The Firm Shares and Additional Shares shall be registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the applicable Option Closing Date, as the case may be. The Firm Shares and Additional Shares shall be delivered to you on the Closing Date or an Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes

payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

6. Conditions to the Underwriters' Obligations. The obligations of the Sellers to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than 5:00 p.m. (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the Company's securities by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement) that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed on behalf of the Company by an executive officer of the Company, to the effect set forth in Section 6(a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied in all material respects with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date an opinion of Fenwick & West LLP, outside counsel for the Company dated the Closing Date, to the effect that:

(i) the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its

incorporation, has the corporate power and corporate authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole;

(ii) the authorized capital stock of the Company conforms as to legal matters in all material respects to the description thereof contained in the Prospectus;

(iii) the shares of Common Stock outstanding prior to the issuance of the Shares have been duly authorized and are validly issued and non-assessable, and, to such counsel's knowledge, fully paid;

(iv) the Shares have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive rights contained in the Company's certificate of incorporation or by-laws, each as amended to date, or to such counsel's knowledge, any similar rights contained in any other agreements or instruments binding upon the Company;

(v) this Agreement has been duly authorized, executed and delivered by the Company;

(vi) the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the certificate of incorporation or by-laws, each as amended to date, of the Company or, to such counsel's knowledge, any material agreement or other instrument binding upon the Company or any of its subsidiaries filed as an exhibit to the Registration Statement or, to such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any Significant Subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states or bylaws and rules and regulations of the NASD (as to which such counsel expresses no opinion) in connection with the offer and sale of the Shares;

(vii) the statements relating to legal matters, legal documents or legal proceedings included in (A) the Prospectus under the captions "Risk Factors - Provisions of our certificate of incorporation and bylaws or Delaware law might discourage, delay or prevent a change or control of our company or changes in our management, and therefore, depress the trading price of our common stock,"

"Management - Indemnification of Directors and Officers and Limitation of Liability," "Shares Eligible for Future Sale," "Description of Capital Stock" and "Underwriters" and (B) the Registration Statement in Items 14 and 15, in each case insofar as such statements constitute summaries of the legal matters, legal documents, or legal proceedings referred to therein, fairly summarize in all material respects such matters, documents or proceedings;

(viii) after due inquiry, such counsel does not know of any legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or of any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required;

(ix) the Company is not, and after giving effect to the offering and sale of the Shares and the immediate application of the proceeds thereof as described in the Prospectus would not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended;

(x) this Agreement has been duly executed and delivered by or on behalf of each of the Selling Stockholders;

(xi) the execution and delivery by each Selling Stockholder of, and the performance by such Selling Stockholder of its obligations under, this Agreement and the Custody Agreement and Powers of Attorney of such Selling Stockholder will not contravene any provision of applicable law, or, to such counsel's knowledge, any agreement or other instrument binding upon such Selling Stockholder or, to such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over such Selling Stockholder, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by such Selling Stockholder of its obligations under this Agreement or the Custody Agreement or Power of Attorney of such Selling Stockholder, except such as may be required by the securities or Blue Sky laws of the various states in connection with offer and sale of the Shares;

(xii) Assuming that the Underwriters purchase the Shares to be sold by the Selling Stockholders pursuant to this Agreement for value, in good faith and without notice of any adverse claims, the delivery of stock certificates representing the Shares to be sold by the Selling Shareholders, indorsed to the Underwriters, will transfer to the Underwriters all rights of the Selling Stockholders in such Shares, free and clear of any adverse claim (within the meaning of Section 8-102 of the New York Uniform Commercial Code);

(xiii) the "lock up" agreement substantially in the form of Exhibit A hereto, the Custody Agreement and the Power of Attorney of each Selling Stockholder have been duly executed and delivered by such Selling Stockholder and are valid and binding agreements of such Selling Stockholder;

(xiv) nothing has come to the attention of such counsel that causes such counsel to believe that (A) the Registration Statement or the Prospectus (except for the financial statements and notes thereto and financial statement schedules and other financial and statistical data included therein, as to which such counsel need not express any belief) do not comply as to form in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder, (B) the Registration Statement or the Prospectus included therein (except for the financial statements and notes thereto and financial statement schedules and other financial and statistical data included therein, as to which such counsel need not express any belief) at the time the Registration Statement became effective contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or (C) the Prospectus (except for the financial statements and notes thereto and financial statement schedules and other financial and statistical data included therein, as to which such counsel need not express any belief) as of its date or as of the Closing Date contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The Underwriters shall have received on the Closing Date opinions of Komaromi es Eros Ugyvedi Iroda, Squire, Sanders & Dempsey L.L.P. (Brussels), Squire Sanders & Dempsey (London), SSD Law Offices and Kim & Chang, each outside counsel for the Company's Significant Subsidiaries, dated the Closing Date, in the forms attached hereto as Exhibit B, Exhibit C, Exhibit D, Exhibit E and Exhibit F, respectively.

(e) The Underwriters shall have received on the Closing Date an opinion of Gray Cary Ware & Freidenrich LLP, counsel for the Underwriters, dated the Closing Date, covering the matters referred to in Sections 6(c)(iv), 6(c)(v), 6(c)(vii) (but with respect to 6(c)(vii), only as to the statements in the Prospectus under "Underwriters") and 6(c)(xiv) above.

With respect to Section 6(c)(xiv) above, Fenwick & West LLP and Gray Cary Ware & Freidenrich LLP may state that their beliefs are based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified.

The opinions of Fenwick & West LLP, Komaromi es Eros Ugyvedi Iroda, Squire Sanders & Dempsey LLP (Brussels), Squire Sanders & Dempsey (London) SSD Law Offices and Kim & Chang described in Sections 6(c) and 6(d) above and the opinion of Stuart Merkadeau described in Section 6(f) below shall be rendered to the Underwriters at the request of the Company and shall so state therein.

(f) The Underwriters shall have received on the Closing Date an opinion of Stuart Merkadeau, Vice President, General Counsel and Secretary of the Company, dated the Closing Date, to the effect that:

(i) the statements relating to legal matters, legal documents or legal proceedings included in the Prospectus under the captions "Risk Factors - From time to time, we might be subject to claims of infringement of other parties' proprietary rights, or to claims that our intellectual property rights are invalid or unenforceable, which could result in significant expense and loss of intellectual property rights and "Business - Intellectual Property," in each case insofar as such statements constitute summaries of the legal matters, legal documents, or legal proceedings referred to therein, fairly summarize in all material respects such matters, documents or proceedings.

(g) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from PricewaterhouseCoopers, LLP, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus; provided that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(h) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and certain stockholders, officers and directors of the Company covering at least [98%] of the outstanding shares of Common Stock or securities convertible into Common Stock of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the applicable Option Closing Date of such documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares to be sold on such Option Closing Date and other matters related to the issuance of such Additional Shares.

7. Covenants of the Company. In further consideration of the agreements of the Underwriters herein contained, the Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, 5 signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 7(c) below, as many copies of the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request.

(e) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering the twelve-month period ending June 30, 2004 that satisfies the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(f) To place stop transfer orders on any Directed Shares that have been sold to Participants subject to the three month restriction on sale, transfer, assignment, pledge or hypothecation imposed by NASD Regulation, Inc. under its Interpretative Material 2110-1 on free-riding and withholding to the extent necessary to ensure compliance with the three month restrictions.

(g) To comply with all applicable securities and other applicable laws, rules and regulations in each jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

(h) To not release any holder of the Company's securities from its contractual obligations to the Company under any stock option, incentive or stock purchase plan, or any other agreement or plan including, but not limited to, the Sixth Amended and Restated Rights Agreement dated July 13, 2001, not to offer, pledge, sell, contract to sell, or otherwise transfer or dispose of, directly or indirectly, any of the Company's securities

during the period ending 180 days after the date of the Prospectus, without the prior written consent of Morgan Stanley.

8. Expenses. Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Sellers agree to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel, the Company's accountants and counsel for the Selling Stockholders in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Prospectus and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 7(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the National Association of Securities Dealers, Inc., (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Common Stock and all costs and expenses incident to listing the Shares on the Nasdaq National Market, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show, (ix) the document production charges and expenses associated with printing this Agreement, and (x) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section 8, Section 9 entitled "Indemnity and Contribution," Section 10 entitled "Directed Share Program Indemnification" and the last paragraph of Section 12 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

9. Indemnity and Contribution.

(a) The Company agrees to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as

amended (the "EXCHANGE ACT"), and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein; provided, however, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased Shares, or any person controlling such Underwriter, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Shares to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities, unless such failure is the result of noncompliance by the Company with Section 7(a) hereof.

(b) Each Selling Stockholder agrees, severally and not jointly, to indemnify and hold harmless the Company, the other Selling Stockholders, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Selling Stockholder furnished in writing by or on behalf of such Selling Stockholder expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto; and provided, further, that liability of such Selling Stockholder under this Section 9(b) shall be limited to an amount equal to the net proceeds to such Selling Stockholder from the sale of the Shares sold by such Selling Stockholder under this Agreement.

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the Selling Stockholders, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who controls the Company or any Selling Stockholder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company and Selling Stockholder to such Underwriter, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Sections 9(a), 9(b) or 9(c), such person (the "INDEMNIFIED PARTY") shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PARTY") in writing and the Indemnifying Party, upon request of the Indemnified Party, shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and any others the Indemnifying Party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the Indemnifying Party shall not, in respect of the legal expenses of any Indemnified Party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act or who are affiliates of any Underwriter within the meaning of Rule 405 under the Securities Act, (ii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section and (iii) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Selling Stockholders and all persons, if any, who control any Selling Stockholder within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Underwriters and such control persons and affiliates of any Underwriters, such firm shall be designated in writing by Morgan Stanley & Co. Incorporated. In the case of any such separate firm for the Company, and such directors, officers and control persons of the Company, such firm shall be designated in writing by the Company. In the case of any such separate firm for the Selling Stockholders and such control persons of any Selling Stockholders, such firm shall be designated in writing by the persons named as attorneys-in-fact for the Selling Stockholders under the Powers of Attorney. The Indemnifying Party shall not be liable for any settlement of any

proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Party shall have requested an Indemnifying Party to reimburse the Indemnified Party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Indemnifying Party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such Indemnifying Party of the aforesaid request and (ii) such Indemnifying Party shall not have reimbursed the Indemnified Party in accordance with such request prior to the date of such settlement. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding.

(e) To the extent the indemnification provided for in Section 9(a), 9(b) or 9(c) is unavailable to an Indemnified Party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Party under such paragraph, in lieu of indemnifying such Indemnified Party thereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by Indemnifying Party or Parties on the one hand and the Indemnified Party or Parties on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 9(e)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 9(e)(i) above but also the relative fault of the Indemnifying Party or Parties on the one hand and of the Indemnified Party or Parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Sellers on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by each Seller and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Seller on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Seller or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 9 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(f) The Sellers and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 9(e). The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Party at law or in equity.

(g) The indemnity and contribution provisions contained in this Section 9 and the representations, warranties and other statements of the Company and the Selling Stockholders contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter, any person controlling any Underwriter or any affiliate of any Underwriter, any Selling Stockholder or any person controlling a Selling Stockholder, or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

10. Directed Share Program Indemnification.

(a) The Company agrees to indemnify and hold harmless Morgan Stanley and its affiliates and each person, if any, who controls Morgan Stanley or its affiliates within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act ("MORGAN STANLEY ENTITIES"), from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (i) caused by any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) caused by the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant has agreed to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program other than losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or gross negligence of Morgan Stanley Entities.

(b) In case any proceeding (including any governmental investigation) shall be instituted involving any Morgan Stanley Entity in respect of which indemnity may be sought pursuant to Section 8(a), the Morgan Stanley Entity seeking indemnity shall promptly notify the Company in writing and the Company, upon request of the Morgan Stanley Entity, shall retain counsel reasonably satisfactory to the Morgan Stanley Entity to represent the Morgan Stanley Entity and any others the Company may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Morgan Stanley Entity shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Morgan Stanley Entity unless (i) the Company shall have agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Morgan Stanley Entity and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The Company shall not, in respect of the legal expenses of the Morgan Stanley Entities in connection with any proceeding or related proceedings the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Morgan Stanley Entities. Any such firm for the Morgan Stanley Entities shall be designated in writing by Morgan Stanley. The Company shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Company agrees to indemnify the Morgan Stanley Entities from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time a Morgan Stanley Entity shall have requested the Company to reimburse it for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Company of the aforesaid request and (ii) the Company shall not have reimbursed the Morgan Stanley Entity in accordance with such request prior to the date of such settlement. The Company shall not, without the prior written consent of Morgan Stanley, effect any settlement of any pending or threatened proceeding in respect of which any Morgan Stanley Entity is or could have been a party and indemnity could have been sought hereunder by such Morgan Stanley Entity, unless such settlement includes an unconditional release of the Morgan Stanley Entities from all liability on claims that are the subject matter of such proceeding.

(c) To the extent the indemnification provided for in Section 10(a) is unavailable to a Morgan Stanley Entity or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then the Company, in lieu of indemnifying the Morgan Stanley Entity thereunder, shall contribute to the amount paid or payable by the Morgan Stanley Entity as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Morgan Stanley Entities on the other hand from the offering of the Directed Shares or (ii) if the allocation provided by clause 10(c)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 10(c)(i) above but also the relative fault of the Company on the one hand and of the Morgan Stanley Entities on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well

as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and of the Morgan Stanley Entities on the other hand in connection with the offering of the Directed Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Directed Shares (before deducting expenses) and the total underwriting discounts and commissions received by the Morgan Stanley Entities for the Directed Shares, bear to the aggregate Public Offering Price of the Shares. If the loss, claim, damage or liability is caused by an untrue or alleged untrue statement of a material fact, the relative fault of the Company on the one hand and the Morgan Stanley Entities on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement or the omission or alleged omission relates to information supplied by the Company or by the Morgan Stanley Entities and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(d) The Company and the Morgan Stanley Entities agree that it would not be just or equitable if contribution pursuant to this Section 10 were determined by pro rata allocation (even if the Morgan Stanley Entities were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 10(c). The amount paid or payable by the Morgan Stanley Entities as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by the Morgan Stanley Entities in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 10, no Morgan Stanley Entity shall be required to contribute any amount in excess of the amount by which the total price at which the Directed Shares distributed to the public were offered to the public exceeds the amount of any damages that such Morgan Stanley Entity has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. The remedies provided for in this Section 10 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Morgan Stanley Entity at law or in equity.

(e) The indemnity and contribution provisions contained in this Section 10 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Morgan Stanley Entity or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Directed Shares.

11. Termination. The Underwriters may terminate this Agreement by notice given by you to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on, or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred, (iv) any moratorium on commercial banking activities shall have been declared by

Federal or New York State authorities or (v) there shall have occurred any outbreak or escalation of hostilities, or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and which, singly or together with any other event specified in this clause (v), makes it, in your judgment, impracticable or inadvisable to proceed with the offer, sale or delivery of the Shares on the terms and in the manner contemplated in the Prospectus.

12. Effectiveness; Defaulting Underwriters. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or an Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule I bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 12 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased, and arrangements satisfactory to you, the Company and the Selling Stockholders for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Stockholders. In any such case either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. If, on an Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased on such Option Closing Date, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase the Additional Shares to be sold on such Option Closing Date or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of any Seller to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason any Seller shall be unable to perform its obligations under this Agreement, the Sellers will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably

incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

13. Counterparts. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

14. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

15. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

Very truly yours,

FormFactor, Inc.

By: _____
Name:
Title:

The Selling Stockholders named in Schedule I hereto,
acting severally

By: _____
Attorney-in-Fact

Accepted as of the date hereof

Morgan Stanley & Co. Incorporated
Lehman Brothers Inc.
Banc of America Securities LLC
Thomas Weisel Partners LLC

Acting severally on behalf of themselves and the several Underwriters named in Schedule I hereto.

By: Morgan Stanley & Co. Incorporated

By: _____
Name:
Title:

SCHEDULE I

UNDERWRITER	NUMBER OF FIRM SHARES TO BE PURCHASED
Morgan Stanley & Co. Incorporated.....	
Lehman Brothers Inc.....	
Banc of America Securities LLC.....	
Thomas Weisel Partners LLC	
Total:.....	

SCHEDULE II

SELLING STOCKHOLDER	NUMBER OF FIRM SHARES TO BE SOLD
Michael Armstrong	1,053
Mark Brandemuehl	9,623
Thomas Dozier	1,318
Benjamin N. Eldridge	22,804
Gary Grube	1,748
Roy J. Henson	3,252
Gayle Herman	797
Igor Khandros	104,228
Sung Min Kim	1,048
Randall Y. Lee	7,895
Lawrence Levy	1,010
Alec Madsen	12,839
Gaetan Mathieu	7,712
Stuart Merkadeau	73,251
Jens Meyerhoff	82,852
Charles Miller	11,106
Carl Reynolds	31,871
Alistair Sporck	2,106
Mark Zeni	18,182
TOTAL:	394,695

EXHIBIT A

[FORM OF LOCK-UP LETTER]

_____, 2003

Morgan Stanley & Co. Incorporated
Lehman Brothers Inc.
Banc of America Securities LLC
Thomas Weisel Partners LLC
c/o Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036

Dear Sirs and Mesdames:

The undersigned understands that Morgan Stanley & Co. Incorporated ("MORGAN STANLEY"), Lehman Brothers Inc., Banc of America Securities LLC and Thomas Weisel Partners LLC (all collectively, the "Underwriters") propose to enter into an Underwriting Agreement (the "UNDERWRITING AGREEMENT") with FormFactor, Inc., a Delaware corporation (the "COMPANY"), providing for the public offering (the "PUBLIC OFFERING") by the Underwriters of shares (the "SHARES") of the Common Stock, par value $0.001 per share, of the Company (the "COMMON STOCK").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period (the "LOCK-UP PERIOD") commencing on the date hereof and ending 180 days after the date of the final prospectus relating to the Public Offering (the "PROSPECTUS"):

(1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly ("TRANSFER"), any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock ("SECURITIES"); or

(2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise.

The restrictions in the foregoing sentence shall not apply to (a) the sale of any Shares to the Underwriters pursuant to the Underwriting Agreement; (b) transactions relating to shares of Common Stock or Securities acquired in the Public Offering or thereafter acquired in open market transactions; (c) bona fide gifts or other Transfers for no consideration of shares of Common Stock or Securities; (d) distributions of shares of Common Stock or Securities to partners, members or stockholders of the undersigned; (e) if the undersigned is a corporation,

Transfers of shares of Common Stock or Securities to an affiliate or affiliates of such corporation; or (f) acquisitions from the Company of any shares of Common Stock or Securities. In the case of any gift, Transfer, distribution or acquisition pursuant to clause (c), (d), (e) or (f) in the foregoing sentence, (i) each donee, distributee, transferee or recipient shall, prior to the effectiveness of the Transfer, execute and deliver to Morgan Stanley an executed duplicate form of this Lock-Up Agreement and (ii) no filing by any party (donor, donee, transferor, transferee, distributor, distributee or recipient) under Section 16(a) of the Securities Exchange Act of 1934, as amended, shall be required or shall be made voluntarily in connection with such Transfer or distribution (other than a filing on a Form 5 made after the expiration of the Lock-Up Period).

In addition, the undersigned agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the Lock-Up Period, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's shares of Common Stock except in compliance with the foregoing restrictions. In the event the Public Offering has not been consummated on or before October 31, 2003, this Lock-Up Agreement shall lapse and become null and void.

The undersigned understands that the Company and the Underwriters are relying upon this Lock-Up Agreement in proceeding toward consummation of the Public Offering. The undersigned further understands that this Lock-Up Agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns.

Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

Very truly yours,

By:

(Name)

(Address)

EXHIBIT B

1. The Company is a limited liability company (in Hungarian: "Korlatolt Felelossegu Tarsasag") registered, duly organized and validly existing as a limited liability company under the laws of the Republic of Hungary, has not had its status suspended or forfeited, has the corporate power and authority to own its properties and to carry on its business as described in the Managing Directors' Certificate and is duly qualified to transact business in Hungary.

2. The outstanding capital of the Company is represented by one quota (the capital of a Hungarian limited liability company, Korlatolt Felelossegu Tarsasag, is represented by quotas instead of shares of stock) having a nominal value of USD 15,000. The Company has complied with all applicable legal and procedural requirements in creating its quota, including any requirement to obtain necessary approvals from the Company's managing directors, quotaholders and appropriate government authorities. Such approvals were obtained pursuant to and in accordance with the legal requirements thereof. The quota of the Company is fully paid, nonassessable and fully owned by the Parent and we have no knowledge of any liens, encumbrances, equities or claims thereon.

EXHIBIT C

1. The Company is a limited liability corporation ("Gesellschaft mit beschrankter Haftung -- "GmbH," as per its German initials) duly organized and validly existing under the laws of Germany, with requisite corporate power to own and operate its properties and assets and it is as such qualified to carry on the business as stated in the Prospectus.

2. The Company is duly qualified to transact business in each jurisdiction in which it conducts business or owns or leases property outside of Germany.

3. The Company Register does not included any information according to which the Company was suspended or in liquidation.

4. The stock of the Company consists of one private ownership share of a nominal value of 25.000, Euro. The Company's Basic Capital of 25,000, Euro has been fully paid up. All private ownership shares are held by FormFactor Hungary Ltd. Such private ownership shares are not subject to any liens or encumbrances.

EXHIBIT D

1. FormFactor Europe Limited (the "Company") is a company limited by shares duly incorporated on 27 January 1999 and is validly existing and registered under number 3705871 under the laws of England and Wales;

2. The Company is in good standing in accordance with the terms of the Good Standing Certificate;

3. The Company has, as its principal object in the Memorandum of Association, the power and authority to own its property, to conduct the business described in the Prospectus and to act as a general commercial company together with various ancillary objects;

4. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or to be in good standing would not have a material adverse effect on the Company, taken as a whole; and

5. The Company has share capital of 10,000 ordinary shares of nominal value of pound sterling 1.00 each, of which 100 have been validly issued, are non-assessable and are fully paid up are registered in the name of FORMFACTOR, INC., free and clear of all registered liens or registered encumbrances and, to our knowledge, free and clear of all liens, encumbrances, equities or claims.

EXHIBIT E

1. The Company is a corporation validly incorporated and existing under the laws of Japan, has not had its corporate status suspended or forfeited and has requisite corporate power and authority to own and operate its properties and assets and to carry on the business in which it is now engaged as described in the Prospectus.

1.5 There was a defect in the original incorporation of the Company which has since been duly cured and there are no adverse legal consequences to the Company resulting from the defect in the incorporation of the Company.

2. The Company is duly qualified to transact its business in Japan. There are no restrictions under Japanese law as to qualification of the Company to transact business in any foreign jurisdictions. It is beyond the jurisdiction of Japanese law as to if the Company is qualified to do business in a foreign country.

3. The outstanding capital stock of the Company consists of 800 shares of common stock, and all the outstanding shares have been duly authorized and validly issued, are fully paid, nonassessable and held of record by the Parent. There are no encumberances on these shares as effective against the Company.

EXHIBIT F

1. That the Company has been duly incorporated, is validly existing as a corporation and in good standing under the laws of Korea, has the corporate power and authority to own its property and conduct its business as described in the Prospectus, is duly qualified to transact business in Korea, and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or to be in good standing would not have a material adverse effect on the Company, taken as a whole; and

2. that all of the issued units of contribution of the Company have been duly and validly authorized and issued, are fully paid and non-assessable, and are owned by FormFactor Germany GmbH and FormFactor Hungary Licensing Limited Liability Company, free and clear of all liens, pledges, encumbrances, other security interests or claims.

EXHIBIT 5.01

[FENWICK & WEST LLP LETTERHEAD]

June 9, 2003

FormFactor, Inc.
2140 Research Drive
Livermore, California 94550

Ladies and Gentlemen:

At your request, we have examined the Registration Statement on Form S-1 (Registration Number 333-86738) filed on April 22, 2002, as amended by Amendment No. 1 filed on April 30, 2002, Amendment No. 2 filed on May 28, 2002, Amendment No. 3 filed on December 18, 2002, Amendment No. 4 filed on December 20, 2002, Amendment No. 5 filed on May 7, 2003, Amendment No. 6 filed on May 21, 2003, Amendment No. 7 filed on May 30, 2003 and Amendment No. 8 to be filed on or about the date hereof, by FormFactor, Inc., a Delaware corporation (the "COMPANY"), with the Securities and Exchange Commission (the "COMMISSION") (as amended from time to time, the "REGISTRATION STATEMENT") in connection with the registration under the Securities Act of 1933, as amended, of an aggregate of up to 5,500,000 shares of the Company's Common Stock, par value $0.001 per share (the "STOCK"), 394,695 of which will be sold by certain selling stockholders (the "SELLING STOCKHOLDERS"). Of the 394,695 shares of Stock that will be sold by the Selling Stockholders through the Registration Statement, 339,362 shares are presently issued and outstanding (the "ISSUED STOCK") and 55,333 shares will be issued upon the exercise by certain Selling Stockholders of their stock option agreements with the Company (the "OPTION STOCK").

In rendering this opinion, we have examined such matters of fact as we have deemed necessary in order to render the opinion set forth herein, which included examination of the following:

(1) the Company's Amended and Restated Certificate of Incorporation, certified by the Delaware Secretary of State on September 30, 2002.

(2) form of the Company's Amended and Restated Certificate of Incorporation to be filed upon the closing of the offering contemplated by the Registration Statement.

(3) the Company's Amended and Restated Bylaws, certified by the Company's Secretary on March 14, 2002.

(4) form of the Company's Amended and Restated Bylaws to be effective upon the closing of the offering contemplated by the Registration Statement.

(5) the Registration Statement, together with the exhibits filed as a part thereof or incorporated therein by reference.

(6) the Prospectus prepared in connection with the Registration Statement.

(7) the minutes of meetings and actions by written consent of the stockholders and the Board of Directors of the Company that are contained in the Company's minute books that are in our possession.

(8) the stock records for the Company that the Company has provided to us (consisting of a list of stockholders and a list of option and warrant holders respecting the Company's capital stock and of any rights to purchase capital stock that was prepared by the Company and dated May 31, 2003 verifying the number of such issued and outstanding securities).

(9) the stock option agreements and related stock option plans under which the Selling Stockholders obtained options to purchase the Option Stock to be sold by them, and the stock option exercise or stock purchase agreements under which the Selling Stockholders acquired the Issued Stock to be sold by them as described in the Registration Statement.

(10) the Letter of Transmittal and Custody Agreement, the Irrevocable Power of Attorney, the Underwriting Agreement Affirmation and the Stock Power signed by each of the Selling Stockholders in connection with the sale of Stock described in the Registration Statement.

(11) a Management Certificate addressed to us and dated of even date herewith executed by the Company containing certain factual representations (the "MANAGEMENT CERTIFICATE").

(12) the form of Underwriting Agreement to be entered into by and among the Company, the Selling Stockholders and the several underwriters party thereto, which is attached as Exhibit 1.01 to the Registration Statement.

In our examination of documents for purposes of this opinion, we have assumed, and express no opinion as to, the authenticity and completeness of all documents submitted to us as originals, the conformity to originals and completeness of all documents submitted to us as copies, the legal capacity of all persons or entities executing the same, the lack of any undisclosed termination, modification, waiver or amendment to any document entered into by the Selling Stockholders and the due authorization, execution and delivery of all such documents by the Selling Stockholders where due authorization, execution and delivery are prerequisites to the effectiveness thereof. We have also assumed that the certificates representing the Stock to be issued and sold by the Company, and the certificates representing the Option Stock to be issued by the Company and to be sold by certain Selling Stockholders, will be, when issued, properly signed by authorized officers of the Company or their agents.

We are admitted to practice law in the State of California, and we render this opinion only with respect to, and express no opinion herein concerning the application or effect of the laws of any jurisdiction other than, the existing laws of the United States of America, the State of California, and the Delaware General Corporation Law, the Delaware Constitution and reported judicial decisions relating thereto.

In connection with our opinion expressed below, we have assumed that, at or prior to the time of the delivery of any shares of Stock, the Registration Statement will have been declared effective under the Securities Act of 1933, as amended, that the registration will apply to such shares of Stock and will not have been modified or rescinded.

Based upon the foregoing, it is our opinion that (i) the 5,105,305 shares of Stock to be issued and sold by the Company, when issued, sold and delivered, in the manner and for the consideration stated in the Registration Statement and the Prospectus and in accordance with the resolutions regarding the public offering price, the underwriting discounts and commissions, and other matters dependent upon the public offering price to be adopted by the Pricing Committee of the Company's Board of Directors, will be validly issued, fully paid and nonassessable, (ii) the 55,333 shares of Option Stock to be sold by certain Selling Stockholders, when issued, sold and delivered by the Company upon the exercise of stock options, in the manner and for the consideration stated in the applicable stock option plan of the Company and the stock option agreements with respect to such shares, will be validly issued, fully paid and nonassessable, and (iii) the 339,362 shares of Issued Stock to be sold by the Selling Stockholders are validly issued, fully paid and nonassessable.

We consent to the use of this opinion as an exhibit to the Registration Statement and further consent to all references to us, if any, in the Registration Statement, the Prospectus constituting a part thereof and any amendments thereto. This opinion is intended solely for use in connection with issuance and sale of shares subject to the Registration Statement and is not to be relied upon for any other purpose. We assume no obligation to advise you of any fact,

circumstance, event or change in the law or the facts that may hereafter be brought to our attention whether or not such occurrence would affect or modify the opinions expressed herein.

Very truly yours,

FENWICK & WEST LLP

By: /s/ MARK A. LEAHY

Mark A. Leahy, a Partner

FORMFACTOR, INC.

2002 EQUITY INCENTIVE PLAN

As Adopted April 18, 2002

1. PURPOSE. The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, its Parent and Subsidiaries, by offering them an opportunity to participate in the Company's future performance through awards of Options, Restricted Stock and Stock Bonuses. Capitalized terms not defined in the text are defined in Section 24.

2. SHARES SUBJECT TO THE PLAN.

2.1 Number of Shares Available. Subject to Sections 2.2 and 18, the total number of Shares reserved and available for grant and issuance pursuant to this Plan will be 500,000 Shares plus Shares that are subject to: (a) issuance upon exercise of an Option but cease to be subject to such Option for any reason other than exercise of such Option; (b) an Award granted hereunder but are forfeited or are repurchased by the Company at the original issue price; and (c) an Award that otherwise terminates without Shares being issued. In addition, any authorized shares not issued or subject to outstanding grants under the Company's 1996 Stock Option Plan, Incentive Option Plan and Management Incentive Option Plan on the Effective Date (as defined below) and any shares issued under the Company's 1995 Stock Plan, 1996 Stock Option Plan, Incentive Option Plan and Management Incentive Option Plan (the "PRIOR PLANS") that are forfeited or repurchased by the Company or that are issuable upon exercise of options granted pursuant to the Prior Plans that expire or become unexercisable for any reason without having been exercised in full, will no longer be available for grant and issuance under the Prior Plans, but will be available for grant and issuance under this Plan. In addition, on each January 1, the aggregate number of Shares reserved and available for grant and issuance pursuant to this Plan will be increased automatically by a number of Shares equal to 5% of the total outstanding shares of the Company as of the immediately preceding December 31; provided, that the Board may in its sole discretion reduce the amount of the increase in any particular year; and, provided further, provided that no more than 40,000,000 shares shall be issued as ISOs (as defined in Section 5 below). At all times the Company shall reserve and keep available a sufficient number of Shares as shall be required to satisfy the requirements of all outstanding Options granted under this Plan and all other outstanding but unvested Awards granted under this Plan.

2.2 Adjustment of Shares. In the event that the number of outstanding shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company without consideration, then (a) the number of Shares reserved for issuance under this Plan, (b) the number of Shares that may be granted pursuant to Sections 3 and 9 below, (c) the Exercise Prices of and number of Shares subject to outstanding Options, and (d) the number of Shares subject to other outstanding Awards may, upon approval of the Board in its discretion, be proportionately adjusted in compliance with applicable securities laws; provided, however, that fractions of a Share will not be issued but will either be replaced by a cash payment equal to the Fair Market Value of such fraction of a Share or will be rounded up to the nearest whole Share, as determined by the Committee.

3. ELIGIBILITY. ISOs (as defined in Section 5 below) may be granted only to employees (including officers and directors who are also employees) of the Company or of a Parent or Subsidiary of the Company. All other Awards may be granted to employees, officers, directors, consultants, independent contractors and advisors of the Company or any Parent or Subsidiary of the Company; provided such consultants, contractors and advisors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction. No person will be eligible to receive more than 1,000,000 Shares in any calendar year under this Plan pursuant to the grant of Awards hereunder, other than new employees of the Company or of a Parent or Subsidiary of the Company (including new employees who are also officers and directors of the Company or any Parent or

Subsidiary of the Company), who are eligible to receive up to a maximum of 3,000,000 Shares in the calendar year in which they commence their employment. A person may be granted more than one Award under this Plan.

4. ADMINISTRATION.

4.1 Committee Authority. This Plan will be administered by the Committee or by the Board acting as the Committee. Except for automatic grants to Outside Directors pursuant to Section 9 hereof, and subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan. Except for automatic grants to Outside Directors pursuant to Section 9 hereof, the Committee will have the authority to:

(a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan;

(b) prescribe, amend and rescind rules and regulations relating to this Plan or any Award;

(c) select persons to receive Awards;

(d) determine the form and terms of Awards;

(e) determine the number of Shares or other consideration subject to Awards;

(f) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other Awards under this Plan or any other incentive or compensation plan of the Company or any Parent or Subsidiary of the Company;

(g) grant waivers of Plan or Award conditions;

(h) determine the vesting, exercisability and payment of Awards;

(i) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Award Agreement;

(j) determine whether an Award has been earned; and

(k) make all other determinations necessary or advisable for the administration of this Plan.

4.2 Committee Discretion. Except for automatic grants to Outside Directors pursuant to Section 9 hereof, any determination made by the Committee with respect to any Award will be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of this Plan or Award, at any later time, and such determination will be final and binding on the Company and on all persons having an interest in any Award under this Plan. The Committee may delegate to one or more officers of the Company the authority to grant an Award under this Plan to Participants who are not Insiders of the Company.

5. OPTIONS. The Committee may grant Options to eligible persons and will determine whether such Options will be Incentive Stock Options within the meaning of the Code ("ISO") or Nonqualified Stock Options ("NQSOS"), the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may be exercised, and all other terms and conditions of the Option, subject to the following:

5.1 Form of Option Grant. Each Option granted under this Plan will be evidenced by an Award Agreement which will expressly identify the Option as an ISO or an NQSO ("STOCK OPTION AGREEMENT"), and, except as otherwise required by the terms of Section 9 hereof, will be in such form and contain such provisions

(which need not be the same for each Participant) as the Committee may from time to time approve, and which will comply with and be subject to the terms and conditions of this Plan.

5.2 Date of Grant. The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, unless otherwise specified by the Committee. The Stock Option Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

5.3 Exercise Period. Options may be exercisable within the times or upon the events determined by the Committee as set forth in the Stock Option Agreement governing such Option; provided, however, that no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted; and provided further that no ISO granted to a person who directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any Parent or Subsidiary of the Company ("TEN PERCENT STOCKHOLDER") will be exercisable after the expiration of five (5) years from the date the ISO is granted. The Committee also may provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines.

5.4 Exercise Price. The Exercise Price of an Option will be determined by the Committee when the Option is granted; provided that: (i) the Exercise Price of an ISO will be not less than 100% of the Fair Market Value of the Shares on the date of grant; and (ii) the Exercise Price of any ISO granted to a Ten Percent Stockholder will not be less than 110% of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 8 of this Plan.

5.5 Method of Exercise. Options may be exercised only by delivery to the Company of a written stock option exercise agreement (the "EXERCISE AGREEMENT") in a form approved by the Committee (which need not be the same for each Participant), stating the number of Shares being purchased, the restrictions imposed on the Shares purchased under such Exercise Agreement, if any, and such representations and agreements regarding Participant's investment intent and access to information and other matters, if any, as may be required or desirable by the Company to comply with applicable securities laws, together with payment in full of the Exercise Price for the number of Shares being purchased.

5.6 Termination. Notwithstanding the exercise periods set forth in the Stock Option Agreement, exercise of an Option will always be subject to the following:

(a) If the Participant is Terminated for any reason except death or Disability, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable upon the Termination Date no later than three (3) months after the Termination Date (or such shorter or longer time period not exceeding five (5) years as may be determined by the Committee, with any exercise beyond three (3) months after the Termination Date deemed to be an NQSO), but in any event, no later than the expiration date of the Options.

(b) If the Participant is Terminated because of Participant's death or Disability (or the Participant dies within three (3) months after a Termination other than for Cause or because of Participant's Disability), then Participant's Options may be exercised only to the extent that such Options would have been exercisable by Participant on the Termination Date and must be exercised by Participant (or Participant's legal representative or authorized assignee) no later than twelve (12) months after the Termination Date (or such shorter or longer time period not exceeding five (5) years as may be determined by the Committee, with any such exercise beyond (i) three (3) months after the Termination Date when the Termination is for any reason other than the Participant's death or disability, within the meaning of Section 22(e)(3) of the Code, or

(ii) twelve (12) months after the Termination Date when the Termination is for Participant's disability, within the meaning of Section 22(e)(3) of the Code, deemed to be an NQSO), but in any event no later than the expiration date of the Options.

(c) If the Participant is terminated for Cause, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable upon the Termination Date no later than one month after the Termination Date (or such shorter or longer time period not exceeding five (5) years as may be determined by the Committee, with any exercise beyond three (3) months after the Termination Date deemed to be an NQSO), but in any event, no later than the expiration date of the Options.

5.7 Limitations on Exercise. The Committee may specify a reasonable minimum number of Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent Participant from exercising the Option for the full number of Shares for which it is then exercisable.

5.8 Limitations on ISO. The aggregate Fair Market Value (determined as of the date of grant) of Shares with respect to which ISO are exercisable for the first time by a Participant during any calendar year (under this Plan or under any other incentive stock option plan of the Company, Parent or Subsidiary of the Company) will not exceed $100,000. If the Fair Market Value of Shares on the date of grant with respect to which ISO are exercisable for the first time by a Participant during any calendar year exceeds $100,000, then the Options for the first $100,000 worth of Shares to become exercisable in such calendar year will be ISO and the Options for the amount in excess of $100,000 that become exercisable in that calendar year will be NQSOs. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date of this Plan to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISO, such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

5.9 Modification, Extension or Renewal. The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor, provided that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code. The Committee may reduce the Exercise Price of outstanding Options without the consent of Participants affected by a written notice to them; provided, however, that the Exercise Price may not be reduced below the minimum Exercise Price that would be permitted under Section 5.4 of this Plan for Options granted on the date the action is taken to reduce the Exercise Price.

5.10 No Disqualification. Notwithstanding any other provision in this Plan, no term of this Plan relating to ISO will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

6. RESTRICTED STOCK. A Restricted Stock Award is an offer by the Company to sell to an eligible person Shares that are subject to restrictions. The Committee will determine to whom an offer will be made, the number of Shares the person may purchase, the price to be paid (the "PURCHASE PRICE"), the restrictions to which the Shares will be subject, and all other terms and conditions of the Restricted Stock Award, subject to the following:

6.1 Form of Restricted Stock Award. All purchases under a Restricted Stock Award made pursuant to this Plan will be evidenced by an Award Agreement ("RESTRICTED STOCK PURCHASE AGREEMENT") that will be in such form (which need not be the same for each Participant) as the Committee will from time to time approve, and will comply with and be subject to the terms and conditions of this Plan. The offer of Restricted Stock will be accepted by the Participant's execution and delivery of the Restricted Stock Purchase Agreement and full payment for the Shares to the Company within thirty (30) days from the date the Restricted Stock Purchase Agreement is

delivered to the person. If such person does not execute and deliver the Restricted Stock Purchase Agreement along with full payment for the Shares to the Company within thirty (30) days, then the offer will terminate, unless otherwise determined by the Committee.

6.2 Purchase Price. The Purchase Price of Shares sold pursuant to a Restricted Stock Award will be determined by the Committee on the date the Restricted Stock Award is granted, except in the case of a sale to a Ten Percent Stockholder, in which case the Purchase Price will be 100% of the Fair Market Value. Payment of the Purchase Price may be made in accordance with Section 8 of this Plan.

6.3 Terms of Restricted Stock Awards. Restricted Stock Awards shall be subject to such restrictions as the Committee may impose. These restrictions may be based upon completion of a specified number of years of service with the Company or upon completion of the performance goals as set out in advance in the Participant's individual Restricted Stock Purchase Agreement. Restricted Stock Awards may vary from Participant to Participant and between groups of Participants. Prior to the grant of a Restricted Stock Award, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Prior to the payment of any Restricted Stock Award, the Committee shall determine the extent to which such Restricted Stock Award has been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria.

6.4 Termination During Performance Period. If a Participant is Terminated during a Performance Period for any reason, then such Participant will be entitled to payment (whether in Shares, cash or otherwise) with respect to the Restricted Stock Award only to the extent earned as of the date of Termination in accordance with the Restricted Stock Purchase Agreement, unless the Committee will determine otherwise.

7. STOCK BONUSES.

7.1 Awards of Stock Bonuses. A Stock Bonus is an award of Shares (which may consist of Restricted Stock) for services rendered to the Company or any Parent or Subsidiary of the Company. A Stock Bonus may be awarded for past services already rendered to the Company, or any Parent or Subsidiary of the Company pursuant to an Award Agreement (the "STOCK BONUS AGREEMENT") that will be in such form (which need not be the same for each Participant) as the Committee will from time to time approve, and will comply with and be subject to the terms and conditions of this Plan. A Stock Bonus may be awarded upon satisfaction of such performance goals as are set out in advance in the Participant's individual Award Agreement (the "PERFORMANCE STOCK BONUS AGREEMENT") that will be in such form (which need not be the same for each Participant) as the Committee will from time to time approve, and will comply with and be subject to the terms and conditions of this Plan. Stock Bonuses may vary from Participant to Participant and between groups of Participants, and may be based upon the achievement of the Company, Parent or Subsidiary and/or individual performance factors or upon such other criteria as the Committee may determine.

7.2 Terms of Stock Bonuses. The Committee will determine the number of Shares to be awarded to the Participant. If the Stock Bonus is being earned upon the satisfaction of performance goals pursuant to a Performance Stock Bonus Agreement, then the Committee will: (a) determine the nature, length and starting date of any Performance Period for each Stock Bonus; (b) select from among the Performance Factors to be used to measure the performance, if any; and (c) determine the number of Shares that may be awarded to the Participant. Prior to the payment of any Stock Bonus, the Committee shall determine the extent to which such Stock Bonuses have been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Stock Bonuses that are subject to different Performance Periods and different performance goals and other criteria. The number of Shares may be fixed or may vary in accordance with such performance goals and criteria as may be determined by the Committee. The Committee may adjust the performance goals applicable to the Stock Bonuses to take into account changes in law and accounting or tax rules and to make such adjustments as the

Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships.

7.3 Form of Payment. The earned portion of a Stock Bonus may be paid currently or on a deferred basis with such interest or dividend equivalent, if any, as the Committee may determine. Payment may be made in the form of cash or whole Shares or a combination thereof, either in a lump sum payment or in installments, all as the Committee will determine.

8. PAYMENT FOR SHARE PURCHASES.

8.1 Payment. Payment for Shares purchased pursuant to this Plan may be made in cash (by check) or, where expressly approved for the Participant by the Committee and where permitted by law:

(a) by cancellation of indebtedness of the Company to the Participant;

(b) by surrender of shares that either: (1) have been owned by Participant for more than six (6) months and have been paid for within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares); or (2) were obtained by Participant in the public market;

(c) by tender of a full recourse promissory note having such terms as may be approved by the Committee and bearing interest at a rate sufficient to avoid imputation of income under Sections 483 and 1274 of the Code; provided, however, that Participants who are not employees or directors of the Company will not be entitled to purchase Shares with a promissory note unless the note is adequately secured by collateral other than the Shares;

(d) by waiver of compensation due or accrued to the Participant for services rendered;

(e) with respect only to purchases upon exercise of an Option, and provided that a public market for the Company's stock exists:

(1) through a "same day sale" commitment from the Participant and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD DEALER") whereby the Participant irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or

(2) through a "margin" commitment from the Participant and a NASD Dealer whereby the Participant irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or

(f) by any combination of the foregoing.

8.2 Loan Guarantees. The Committee may help the Participant pay for Shares purchased under this Plan by authorizing a guarantee by the Company of a third-party loan to the Participant.

9. AUTOMATIC GRANTS TO OUTSIDE DIRECTORS.

9.1 Types of Options and Shares. Options granted under this Plan and subject to this Section 9 shall be NQSOs.

9.2 Eligibility. Options subject to this Section 9 shall be granted only to Outside Directors.

9.3 Initial Grant. Each Outside Director who first becomes a member of the Board after the Effective Date will automatically be granted an option for 12,500 Shares (an "INITIAL GRANT") on the date such Outside Director first becomes a member of the Board. Each Outside Director who became a member of the Board on or prior to the Effective Date and who did not receive a prior option grant (under this Plan or otherwise and from the Company or any of its corporate predecessors) will receive an Initial Grant on the Effective Date.

9.4 Succeeding Grant. Immediately following each Annual Meeting of stockholders, each Outside Director will automatically be granted an option for 12,500 Shares (a "SUCCEEDING GRANT"), provided, that the Outside Director is a member of the Board on such date and has served continuously as a member of the Board for a period of at least twelve (12) months since the last option grant (whether an Initial Grant or a Succeeding Grant) to such Outside Director. If less than twelve (12) months has passed, then the number of shares subject to the Succeeding Grant will be pro-rated based on the number of days passed since the last option grant to such Outside Director, divided by 365 days.

9.5 Vesting and Exercisability. The date an Outside Director receives an Initial Grant or a Succeeding Grant is referred to in this Plan as the "START DATE" for such option.

(a) Initial Grant. So long as the Outside Director continuously remains a director or a consultant of the Company, each Initial Grant will vest as to 1/12th of the Shares at the end of each full succeeding month from Start Date. Each Initial Grant will be immediately exercisable subject to the Company's right to repurchase unvested shares in the event the Outside Director does not remain a member of the Board or a consultant of the Company.

(b) Succeeding Grant. So long as the Outside Director continuously remains a director or a consultant of the Company, each Succeeding Grant will vest as to 1/12th of the Shares at the end of each full succeeding month from the later of (i) the Start Date of such Succeeding Grant or (ii) the date when all outstanding stock options, and all outstanding shares issued upon exercise of any stock options granted by the Company to the Outside Director prior to the grant of such Succeeding Grant have fully vested. Each Succeeding Grant will be immediately exercisable subject to the Company's right to repurchase unvested shares in the event the Outside Director does not remain a member of the Board or a consultant of the Company.

Notwithstanding any provision to the contrary, in the event of a Corporate Transaction described in Section 18.1, the vesting of all options granted to Outside Directors pursuant to this Section 9 will accelerate and such options will become exercisable in full prior to the consummation of such event at such times and on such conditions as the Committee determines, and must be exercised, if at all, within three (3) months of the consummation of said event. Any options not exercised within such three-month period shall expire.

9.6 Exercise Price. The exercise price of an option pursuant to an Initial Grant and Succeeding Grant shall be the Fair Market Value of the Shares, at the time that the option is granted.

10. WITHHOLDING TAXES.

10.1 Withholding Generally. Whenever Shares are to be issued in satisfaction of Awards granted under this Plan, the Company may require the Participant to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for

such Shares. Whenever, under this Plan, payments in satisfaction of Awards are to be made in cash, such payment will be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

10.2 Stock Withholding. When, under applicable tax laws, a Participant incurs tax liability in connection with the exercise or vesting of any Award that is subject to tax withholding and the Participant is obligated to pay the Company the amount required to be withheld, the Committee may in its sole discretion allow the Participant to satisfy the minimum withholding tax obligation by electing to have the Company withhold from the Shares to be issued that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld, determined on the date that the amount of tax to be withheld is to be determined. All elections by a Participant to have Shares withheld for this purpose will be made in accordance with the requirements established by the Committee and be in writing in a form acceptable to the Committee.

11. TRANSFERABILITY.

11.1 Except as otherwise provided in this Section 11, Awards granted under this Plan, and any interest therein, will not be transferable or assignable by Participant, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the laws of descent and distribution or as determined by the Committee and set forth in the Award Agreement with respect to Awards that are not ISOs.

11.2 All Awards other than NQSO's. All Awards other than NQSO's shall be exercisable: (i) during the Participant's lifetime, only by (A) the Participant, or (B) the Participant's guardian or legal representative; and (ii) after Participant's death, by the legal representative of the Participant's heirs or legatees.

11.3 NQSOs. Unless otherwise restricted by the Committee, an NQSO shall be exercisable: (i) during the Participant's lifetime only by (A) the Participant, (B) the Participant's guardian or legal representative, (C) a Family Member of the Participant who has acquired the NQSO by "permitted transfer;" and (ii) after Participant's death, by the legal representative of the Participant's heirs or legatees. "Permitted transfer" means, as authorized by this Plan and the Committee in an NQSO, any transfer effected by the Participant during the Participant's lifetime of an interest in such NQSO but only such transfers which are by gift or domestic relations order. A permitted transfer does not include any transfer for value and neither of the following are transfers for value: (a) a transfer of under a domestic relations order in settlement of marital property rights or (b) a transfer to an entity in which more than fifty percent of the voting interests are owned by Family Members or the Participant in exchange for an interest in that entity.

12. PRIVILEGES OF STOCK OWNERSHIP; RESTRICTIONS ON SHARES.

12.1 Voting and Dividends. No Participant will have any of the rights of a stockholder with respect to any Shares until the Shares are issued to the Participant. After Shares are issued to the Participant, the Participant will be a stockholder and have all the rights of a stockholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; provided, that if such Shares are Restricted Stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the Restricted Stock; provided, further, that the Participant will have no right to retain such stock dividends or stock distributions with respect to Shares that are repurchased at the Participant's Purchase Price or Exercise Price pursuant to Section 12.

12.2 Restrictions on Shares. At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) in the Award Agreement a right to repurchase a portion of or all Unvested Shares held by a Participant following such Participant's Termination at any time within ninety (90) days after the later of Participant's Termination Date and the date Participant purchases Shares under this Plan, for cash and/or cancellation of purchase money indebtedness, at the Participant's Exercise Price or Purchase Price, as the case may be.

13. CERTIFICATES. All certificates for Shares or other securities delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted.

14. ESCROW; PLEDGE OF SHARES. To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under this Plan will be required to pledge and deposit with the Company all or part of the Shares so purchased as collateral to secure the payment of Participant's obligation to the Company under the promissory note; provided, however, that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, Participant will be required to execute and deliver a written pledge agreement in such form as the Committee will from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a pro rata basis as the promissory note is paid.

15. EXCHANGE AND BUYOUT OF AWARDS. The Committee may, at any time or from time to time, authorize the Company, with the consent of the respective Participants, to issue new Awards in exchange for the surrender and cancellation of any or all outstanding Awards. The Committee may at any time buy from a Participant an Award previously granted with payment in cash, Shares (including Restricted Stock) or other consideration, based on such terms and conditions as the Committee and the Participant may agree.

16. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE. An Award will not be effective unless such Award is in compliance with all applicable federal and state securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under any state or federal law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company will be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any state securities laws, stock exchange or automated quotation system, and the Company will have no liability for any inability or failure to do so.

17. NO OBLIGATION TO EMPLOY. Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent or Subsidiary of the Company or limit in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Participant's employment or other relationship at any time, with or without cause.

18. CORPORATE TRANSACTIONS.

18.1 Assumption or Replacement of Awards by Successor. Except for automatic grants to Outside Directors pursuant to Section 9 hereof, in the event of (a) a dissolution or liquidation of the Company, (b) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock

holdings and the Awards granted under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all Participants), (c) a merger in which the Company is the surviving corporation but after which the stockholders of the Company immediately prior to such merger (other than any stockholder that merges, or which owns or controls another corporation that merges, with the Company in such merger) cease to own their shares or other equity interest in the Company, (d) the sale of substantially all of the assets of the Company, or (e) the acquisition, sale, or transfer of more than 50% of the outstanding shares of the Company by tender offer or similar transaction (each, a "CORPORATE TRANSACTION"), any or all outstanding Awards may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement will be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participants, substantially similar shares or other property subject to repurchase restrictions no less favorable to the Participant. In the event such successor corporation (if any) refuses to assume or substitute Awards, as provided above, pursuant to a transaction described in this Subsection 18.1, such Awards will expire on such transaction at such time and on such conditions as the Committee will determine. Notwithstanding anything in this Plan to the contrary, the Committee may, in its sole discretion, provide that the vesting of any or all Awards granted pursuant to this Plan will accelerate upon a transaction described in this Section 18. If the Committee exercises such discretion with respect to Options, such Options will become exercisable in full prior to the consummation of such event at such time and on such conditions as the Committee determines, and if such Options are not exercised prior to the consummation of the corporate transaction, they shall terminate at such time as determined by the Committee.

18.2 Other Treatment of Awards. Subject to any greater rights granted to Participants under the foregoing provisions of this Section 18, in the event of the occurrence of any Corporate Transaction described in Section 18.1, any outstanding Awards will be treated as provided in the applicable agreement or plan of merger, consolidation, dissolution, liquidation, or sale of assets.

18.3 Assumption of Awards by the Company. The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either; (a) granting an Award under this Plan in substitution of such other company's award; or (b) assuming such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award will remain unchanged (except that the exercise price and the number and nature of Shares issuable upon exercise of any such option will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event the Company elects to grant a new Option rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price.

19. ADOPTION AND STOCKHOLDER APPROVAL. This Plan will become effective on the date on which the registration statement filed by the Company with the SEC under the Securities Act registering the initial public offering of the Company's Common Stock is declared effective by the SEC (the "EFFECTIVE DATE"). This Plan shall be approved by the stockholders of the Company (excluding Shares issued pursuant to this Plan), consistent with applicable laws, within twelve (12) months before or after the date this Plan is adopted by the Board. Upon the Effective Date, the Committee may grant Awards pursuant to this Plan; provided, however, that: (a) no Option may be exercised prior to initial stockholder approval of this Plan; (b) no Option granted pursuant to an increase in the number of Shares subject to this Plan approved by the Board will be exercised prior to the time such increase has been approved by the stockholders of the Company; (c) in the event that initial stockholder approval is not obtained within the time period provided herein, all Awards granted hereunder shall be cancelled, any Shares issued pursuant to any Awards shall be cancelled and any purchase of Shares issued hereunder shall be rescinded; and (d) in the event that stockholder approval of such increase is not obtained within the time period provided herein, all Awards granted pursuant to such increase will be cancelled, any Shares issued pursuant to any Award

granted pursuant to such increase will be cancelled, and any purchase of Shares pursuant to such increase will be rescinded.

20. TERM OF PLAN/GOVERNING LAW. Unless earlier terminated as provided herein, this Plan will terminate ten (10) years from the date this Plan is adopted by the Board or, if earlier, the date of stockholder approval. This Plan and all agreements thereunder shall be governed by and construed in accordance with the laws of the State of California.

21. AMENDMENT OR TERMINATION OF PLAN. The Board may at any time terminate or amend this Plan in any respect, including without limitation amendment of any form of Award Agreement or instrument to be executed pursuant to this Plan; provided, however, that the Board will not, without the approval of the stockholders of the Company, amend this Plan in any manner that requires such stockholder approval.

22. NONEXCLUSIVITY OF THE PLAN. Neither the adoption of this Plan by the Board, the submission of this Plan to the stockholders of the Company for approval, nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options and bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

23. INSIDER TRADING POLICY. Each Participant and Outsider Director who receives an Award shall comply with any policy, adopted by the Company from time to time covering transactions in the Company's securities by employees, officers and/or directors of the Company.

24. DEFINITIONS. As used in this Plan, the following terms will have the following meanings:

"AWARD" means any award under this Plan, including any Option, Restricted Stock or Stock Bonus.

"AWARD AGREEMENT" means, with respect to each Award, the signed written agreement between the Company and the Participant setting forth the terms and conditions of the Award.

"BOARD" means the Board of Directors of the Company.

"CAUSE" means (i) the commission of an act of theft, embezzlement, fraud, dishonesty, (b) a breach of fiduciary duty to the Company or a Parent or Subsidiary of the Company or (c) a failure to materially perform the customary duties of employee's employment.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMMITTEE" means the Compensation Committee of the Board.

"COMPANY" means FormFactor, Inc. or any successor corporation.

"DISABILITY" means a disability, whether temporary or permanent, partial or total, as determined by the Committee.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXERCISE PRICE" means the price at which a holder of an Option may purchase the Shares issuable upon exercise of the Option.

"FAIR MARKET VALUE" means, as of any date, the value of a share of the Company's Common Stock determined as follows:

(a) if such Common Stock is then quoted on the Nasdaq National Market, its closing price on the Nasdaq National Market on the date of determination as reported in The Wall Street Journal;

(b) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in The Wall Street Journal;

(c) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in The Wall Street Journal;

(d) in the case of an Award made on the Effective Date, the price per share at which shares of the Company's Common Stock are initially offered for sale to the public by the Company's underwriters in the initial public offering of the Company's Common Stock pursuant to a registration statement filed with the SEC under the Securities Act; or

(e) if none of the foregoing is applicable, by the Committee in good faith.

"FAMILY MEMBER" includes any of the following:

(a) child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the Participant, including any such person with such relationship to the Participant by adoption;

(b) any person (other than a tenant or employee) sharing the Participant's household;

(c) a trust in which the persons in (a) and (b) have more than fifty percent of the beneficial interest;

(d) a foundation in which the persons in (a) and (b) or the Participant control the management of assets; or

(e) any other entity in which the persons in (a) and (b) or the Participant own more than fifty percent of the voting interest.

"INSIDER" means an officer or director of the Company or any other person whose transactions in the Company's Common Stock are subject to Section 16 of the Exchange Act.

"OPTION" means an award of an option to purchase Shares pursuant to Section 5.

"OUTSIDE DIRECTOR" means a member of the Board who is not an employee of the Company or any Parent or Subsidiary.

"PARENT" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"PARTICIPANT" means a person who receives an Award under this Plan.

"PERFORMANCE FACTORS" means the factors selected by the Committee from among the following measures to determine whether the performance goals established by the Committee and applicable to Awards have been satisfied:

(a) Net revenue and/or net revenue growth;

(b) Earnings before income taxes and amortization and/or earnings before income taxes and amortization growth;

(c) Operating income and/or operating income growth;

(d) Net income and/or net income growth;

(e) Earnings per share and/or earnings per share growth;

(f) Total stockholder return and/or total stockholder return growth;

(g) Return on equity;

(h) Operating cash flow return on income;

(i) Adjusted operating cash flow return on income;

(j) Economic value added; and

(k) Individual confidential business objectives.

"PERFORMANCE PERIOD" means the period of service determined by the Committee, not to exceed five years, during which years of service or performance is to be measured for Restricted Stock Awards or Stock Bonuses.

"PLAN" means this FormFactor, Inc. 2002 Equity Incentive Plan, as amended from time to time.

"RESTRICTED STOCK AWARD" means an award of Shares pursuant to Section 6.

"SEC" means the Securities and Exchange Commission.

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"SHARES" means shares of the Company's Common Stock reserved for issuance under this Plan, as adjusted pursuant to Sections 2 and 18, and any successor security.

"STOCK BONUS" means an award of Shares, or cash in lieu of Shares, pursuant to Section 7.

"SUBSIDIARY" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"TERMINATION" or "TERMINATED" means, for purposes of this Plan with respect to a Participant, that the Participant has for any reason ceased to provide services as an employee, officer, director, consultant, independent contractor, or advisor to the Company or a Parent or Subsidiary of the Company. An employee will not be deemed to have ceased to provide services in the case of (i) sick leave, (ii) military leave, or (iii) any other

leave of absence approved by the Committee, provided, that such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute or unless provided otherwise pursuant to formal policy adopted from time to time by the Company and issued and promulgated to employees in writing. In the case of any employee on an approved leave of absence, the Committee may make such provisions respecting suspension of vesting of the Award while on leave from the employ of the Company or a Subsidiary as it may deem appropriate, except that in no event may an Option be exercised after the expiration of the term set forth in the Option agreement. The Committee will have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the "TERMINATION DATE").

"UNVESTED SHARES" means "Unvested Shares" as defined in the Award Agreement.

"VESTED SHARES" means "Vested Shares" as defined in the Award Agreement.

DIRECTOR INITIAL GRANT

NO. _____

FORMFACTOR, INC.
2002 EQUITY INCENTIVE PLAN
STOCK OPTION AGREEMENT

FormFactor, Inc., a Delaware corporation (the "COMPANY"), hereby grants an option (this "OPTION") to the Optionee named below ("OPTIONEE") as of the Date of Grant set forth below (the "DATE OF GRANT") pursuant to the Company's 2002 Equity Incentive Plan (the "PLAN") and this Stock Option Agreement (this "AGREEMENT"), which includes the Terms and Conditions (the "TERMS AND CONDITIONS") set forth on Exhibit A hereto. Capitalized terms not defined in this Agreement have the meanings ascribed to them in the Plan.

OPTIONEE:

SOCIAL SECURITY NUMBER:

OPTIONEE'S ADDRESS:

TOTAL OPTION SHARES:

EXERCISE PRICE PER SHARE:

DATE OF GRANT:

EXPIRATION DATE:

(unless earlier terminated under Section 3 hereof or pursuant to Section 9 of the Plan)

START DATE:

VESTING SCHEDULE: 1/12 of the Shares will vest on each monthly anniversary of the Start Date until 100% vested.

TYPE OF STOCK OPTION: Nonqualified Stock Option

The Company has signed this Agreement effective as the Date of Grant and has caused it to be executed in duplicate by its duly authorized representative.

FORMFACTOR, INC.
By:

- ---
(Please print name)

- ---
(Please print title)

Optionee acknowledges receipt of this Agreement (including the Terms and Conditions), a copy of the Plan, attached hereto as Exhibit C, and the form of Exercise Agreement, attached hereto as Exhibit B. Optionee has read and understands these documents and accepts this Option subject to all the terms and conditions of the Plan and this Agreement. Optionee has executed this Agreement in duplicate as of the Date of Grant.

OPTIONEE

- ---
(Signature)

- ---
(Please print name)

EXHIBIT A

STOCK OPTION AGREEMENT TERMS AND CONDITIONS

This Option is subject to the following Terms and Conditions and the terms and conditions of the Plan, which are incorporated herein by reference. This Agreement, the Plan and the Exercise Agreement constitute the entire agreement and understanding of the Company and the Optionee with respect to this Option and supersede all prior understandings and agreements with respect to such subject matter. If there is any discrepancy, conflict or omission between this Agreement and the provisions of the Plan as interpreted by the Committee, the provisions of the Plan shall apply.

1. GRANT OF OPTION. The Company hereby grants to Optionee this Option to purchase up to the total number of shares of Common Stock of the Company (the "SHARES") at the Exercise Price Per Share (the "EXERCISE PRICE"), each as set forth on the first page of this Agreement, subject to the terms and conditions of this Agreement and the Plan.

2. EXERCISE PERIOD.

2.1 Vesting of Shares. This Option is immediately exercisable, although the Shares issued upon exercise of this Option will be subject to the restrictions on transfer and Repurchase Option set forth in this Agreement. Subject to the terms and conditions of the Plan and this Agreement, this Option shall vest as set forth on the first page of this Agreement if Optionee has continuously served as a director and/or consultant of the Company. Shares that are vested pursuant to the schedule set forth on the first page of this Agreement are "VESTED SHARES." Shares that are not vested pursuant to the schedule set forth on the first page of this Agreement are "UNVESTED Shares." Options for Unvested Shares will not be exercisable on or after an Optionee's Termination Date. In the event of a Corporate Transaction (as defined in the Plan) the Shares shall vest and become exercisable upon the terms and conditions of Section 9.5 of the Plan.

2.2 Expiration. This Option shall expire on the Expiration Date set forth on the first page of this Agreement and must be exercised, if at all, on or before the earlier of the Expiration Date or the date on which this Option is earlier terminated in accordance with the provisions of Section 3 of this Agreement or Section 9 of the Plan.

3. TERMINATION. Except as provided below in this Section, this Option shall terminate and may not be exercised if Optionee ceases to be either a member of the Board of Directors of the Company or a consultant to the Company ("BOARD MEMBER"). The date on which Optionee ceases to be a Board Member shall be referred to as the "TERMINATION DATE."

3.1 Termination for Any Reason Except Death or Disability. If Optionee ceases to be a Board Member for any reason except death or Disability (as such term is defined in the Plan), then this Option, to the extent (and only to the extent) that it is vested on the Termination Date in accordance with the schedule set forth on the first page of this Agreement, may be exercised by

Optionee during the three (3) months following the Termination Date, but in any event must be exercised no later than the Expiration Date.

3.2 Termination Because of Death or Disability. If Optionee ceases to be a Board Member due to Optionee's death or Disability (or dies within 3 months after a termination because of Disability), then this Option, to the extent (and only to the extent) that it is vested on the Termination Date in accordance with the schedule set forth on the first page of this Agreement, may be exercised by Optionee (or Optionee's legal representative or authorized assignee) no later than twelve (12) months following the Termination Date, but in any event must be exercised no later than the Expiration Date.

3.3 No Obligation or Right to Continue as Board Member. Nothing in the Plan or this Agreement confers on Optionee any right or obligation to continue as a Board Member or in any other relationship with the Company or any Parent or Subsidiary of the Company (or any successor-in-interest to the Company).

4. MANNER OF EXERCISE.

4.1 Stock Option Exercise Agreement. To exercise this Option, Optionee (or in the case of exercise after Optionee's death or Disability, Optionee's legal representative) must deliver to the Company an executed stock option exercise agreement in the form attached hereto as Exhibit B, or in such other form as may be approved by the Committee from time to time (the "EXERCISE AGREEMENT"). If someone other than Optionee exercises this Option, then such person must submit documentation reasonably acceptable to the Company that such person has the right to exercise this Option.

4.2 Limitations on Exercise. This Option may not be exercised (a) unless such exercise is in compliance with all applicable federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Common Stock may be listed at the time of such issuance and (b) as to fewer than 100 Shares unless it is exercised as to all Shares as to which this Option is then exercisable. The Company is under no obligation to register or qualify the Shares with the SEC, any state securities commission or any stock exchange to effect such compliance.

4.3 Payment. The Exercise Agreement shall be accompanied by full payment of the Exercise Price for the Shares being purchased in cash (by check), or, where permitted by law, by any method set forth in the Exercise Agreement or any additional method approved by the Committee from time to time.

4.4 Tax Withholding. At the time of exercise, Optionee must pay or provide for any applicable federal or state withholding obligations of the Company associated with the exercise of this Option. If the Committee permits at the time of exercise, Optionee may provide for payment of withholding taxes upon exercise of this Option by requesting that the Company retain Shares with a Fair Market Value equal to the minimum amount of taxes required to be withheld,

in which case, the Company shall issue the net number of Shares to Optionee after deducting the Shares retained from the Shares issuable upon exercise.

5. COMPANY'S REPURCHASE OPTION FOR UNVESTED SHARES. In the event Optionee ceases to be a Board Member for any reason, the Company, or its assignee, shall have the option to repurchase Optionee's Unvested Shares (the "REPURCHASE OPTION") at any time within ninety (90) days after the later of Optionee's Termination Date and the date Optionee purchases the Shares by giving Optionee written notice of its election to exercise the Repurchase Option. The Company or its assignee may repurchase from Optionee (or from Optionee's legal representative, as the case may be) all or a portion of the Unvested Shares at Optionee's Exercise Price, proportionately adjusted for any stock split or similar change in the capital structure of the Company as set forth in Section 2.2 of the Plan, which repurchase price shall be paid, at the option of the Company or its assignee, by check or by cancellation of all or a portion of any outstanding indebtedness of Optionee to the Company or such assignee, or by any combination thereof. The repurchase price shall be paid without interest within the ninety (90) day time period set forth above.

6. NONTRANSFERABILITY OF OPTION AND SHARES. This Option may not be transferred in any manner other than under the terms and conditions of the Plan or by will or by the laws of descent and distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the legal representatives and authorized executors and assignees of Optionee. Unvested Shares may not be sold or otherwise transferred without the Company's prior written consent.

7. TAX CONSEQUENCES. Optionee should refer to the prospectus for the Plan for a description of the federal tax consequences of exercising this Option, including the effects of filing an election under 83(b) of the Code in connection with the exercise of this Option for Unvested Shares, and disposing of the Shares. A copy of the Prospectus is available at the Finance/Stock Administration page of the Company's internal website, or upon request from the Company's Stock Administrator at (925) 456-7334.

8. PRIVILEGES OF STOCK OWNERSHIP. Optionee shall not have any of the rights of a stockholder with respect to any Shares until the Shares are issued to Optionee.

9. NOTICES. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address indicated on the first page of this Agreement or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested); one (1) business day after deposit with any return receipt express courier (prepaid); or one (1) business day after transmission by facsimile or email.

10. SUCCESSORS AND ASSIGNS. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Optionee and Optionee's legal representatives and authorized assignees.

11. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California, without regard to that body of law pertaining to choice of law or conflicts of law.

EXHIBIT B

FORMFACTOR, INC.
2002 EQUITY INCENTIVE PLAN (THE "PLAN")
STOCK OPTION EXERCISE AGREEMENT

I ("OPTIONEE") hereby elect to purchase the number of shares of Common Stock of FormFactor, Inc. (the "Company") indicated below:

Optionee

Social Security Number:

Address:

Type of Option: [ ] Incentive Stock Option
[ ] Nonqualified Stock Option

Number of Shares Purchased:

Purchase Price per Share:

Aggregate Purchase Price:

Date of Grant:

Exact Name of Title to Shares:

- ---

1. DELIVERY OF PURCHASE PRICE. Optionee hereby delivers to the Company the Aggregate Purchase Price as follows (check as applicable and complete):

[ ] in cash (by check) in the amount of $_____, receipt of which is acknowledged by the Company;

[ ] [by cancellation of indebtedness of the Company to Optionee in the amount of $_____;]

[ ] [by delivery of _____ fully-paid, nonassessable and vested shares of the Common Stock of the Company owned by Optionee for at least six (6) months prior to the date hereof (and which have been paid for within the meaning of SEC Rule 144), or obtained by Optionee in the open public market, and owned free and clear of all liens, claims, encumbrances or security interests, valued at the current Fair Market Value of $_____ per share;]

[ ] [by the waiver hereby of compensation due or accrued to Optionee for services rendered in the amount of $_____;]

[ ] through a "same-day-sale" commitment from Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD DEALER") whereby Optionee irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Aggregate Purchase Price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Aggregate Purchase Price (together with any required tax withholding) directly to the Company; or

[ ] [through a "margin" commitment from Optionee and the NASD Dealer named therein, whereby Optionee irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Aggregate Purchase Price (together with any required tax withholding) directly to the Company.]

2. UNDERTAKINGS. Optionee acknowledges that any Unvested Shares remain subject to the Terms and Conditions of the Optionee's Stock Option Agreement. If Optionee is married, the Spousal Consent, attached hereto as Exhibit 1, should be completed by Optionee's spouse and returned with this Agreement.

3. TAX CONSEQUENCES. OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.

4. ENTIRE AGREEMENT. The Plan and the Stock Option Agreement are incorporated herein by reference. This Stock Option Exercise Agreement, the Plan and the Stock Option Agreement constitute the entire agreement and understanding and supersede in their entirety all prior understandings and agreements of the

Company and Optionee with respect to the subject matter hereof, and are governed by California law except for that body of law pertaining to choice of law or conflicts of law.

Date:

- ---
SIGNATURE OF OPTIONEE

EXHIBIT 1

SPOUSAL CONSENT

I have read the foregoing Stock Option Exercise Agreement (the "AGREEMENT") and I know its contents. I consent to and approve of the Agreement, and agree that the shares of the Common Stock of FormFactor, Inc. purchased pursuant to the Agreement (the "SHARES") including any interest I may have in the Shares, are subject to all the provisions of the Agreement. I will take no action at any time to hinder application of the Agreement to the Shares or to any interest I may have in the Shares.

_____ Date:_____

SIGNATURE OF OPTIONEE'S SPOUSE

_____

SPOUSE'S NAME - TYPED OR PRINTED

_____

OPTIONEE'S NAME - TYPED OR PRINTED

EXHIBIT C

FORMFACTOR, INC.

2002 EQUITY INCENTIVE PLAN

DIRECTOR SUCCEEDING GRANT

NO. _____

FORMFACTOR, INC.
2002 EQUITY INCENTIVE PLAN
STOCK OPTION AGREEMENT

FormFactor, Inc., a Delaware corporation (the "COMPANY"), hereby grants an option (this "OPTION") to the Optionee named below ("OPTIONEE") as of the Date of Grant set forth below (the "DATE OF GRANT") pursuant to the Company's 2002 Equity Incentive Plan (the "PLAN") and this Stock Option Agreement (this "AGREEMENT"), which includes the Terms and Conditions (the "TERMS AND CONDITIONS") set forth on Exhibit A hereto. Capitalized terms not defined in this Agreement have the meanings ascribed to them in the Plan.

OPTIONEE:	----------
SOCIAL SECURITY NUMBER:	----------
OPTIONEE'S ADDRESS:	----------

TOTAL OPTION SHARES:	----------
EXERCISE PRICE PER SHARE:	----------
DATE OF GRANT:	----------
EXPIRATION DATE:	---------- (unless earlier terminated under Section 3 hereof or pursuant to Section 9 of the Plan)
START DATE:	----------
VESTING SCHEDULE:	1/12 of the Shares will vest on each monthly anniversary of the later of (a) the Start Date or (b) the date when all outstanding stock options and all outstanding shares issued upon exercise of any options granted to Optionee as an Outside Director prior to the Date of Grant have fully vested, until 100% vested.
TYPE OF STOCK OPTION:	Nonqualified Stock Option

The Company has signed this Agreement effective as the Date of Grant and has caused it to be executed in duplicate by its duly authorized representative.

FORMFACTOR, INC.
By:

- ---
(Please print name)

- ---
(Please print title)

Optionee acknowledges receipt of this Agreement (including the Terms and Conditions), a copy of the Plan, attached hereto as Exhibit C, and the form of Exercise Agreement, attached hereto as Exhibit B. Optionee has read and understands these documents and accepts this Option subject to all the terms and conditions of the Plan and this Agreement. Optionee has executed this Agreement in duplicate as of the Date of Grant.

OPTIONEE

- ---
(Signature)

- ---
(Please print name)

EXHIBIT A

STOCK OPTION AGREEMENT TERMS AND CONDITIONS

This Option is subject to the following Terms and Conditions and the terms and conditions of the Plan, which are incorporated herein by reference. This Agreement, the Plan and the Exercise Agreement constitute the entire agreement and understanding of the Company and the Optionee with respect to this Option and supersede all prior understandings and agreements with respect to such subject matter. If there is any discrepancy, conflict or omission between this Agreement and the provisions of the Plan as interpreted by the Committee, the provisions of the Plan shall apply.

1. GRANT OF OPTION. The Company hereby grants to Optionee this Option to purchase up to the total number of shares of Common Stock of the Company (the "SHARES") at the Exercise Price Per Share (the "EXERCISE PRICE"), each as set forth on the first page of this Agreement, subject to the terms and conditions of this Agreement and the Plan.

2. EXERCISE PERIOD.

2.1 Vesting of Shares. This Option is immediately exercisable, although the Shares issued upon exercise of this Option will be subject to the restrictions on transfer and Repurchase Option set forth in this Agreement. Subject to the terms and conditions of the Plan and this Agreement, this Option shall vest as set forth on the first page of this Agreement if Optionee has continuously served as a director and/or consultant of the Company. Shares that are vested pursuant to the schedule set forth on the first page of this Agreement are "VESTED SHARES." Shares that are not vested pursuant to the schedule set forth on the first page of this Agreement are "UNVESTED SHARES." Options for Unvested Shares will not be exercisable on or after an Optionee's Termination Date. In the event of a Corporate Transaction (as defined in the Plan) the Shares shall vest and become exercisable upon the terms and conditions of Section 9.5 of the Plan.

2.2 Expiration. This Option shall expire on the Expiration Date set forth on the first page of this Agreement and must be exercised, if at all, on or before the earlier of the Expiration Date or the date on which this Option is earlier terminated in accordance with the provisions of Section 3 of this Agreement or Section 9 of the Plan.

3. TERMINATION. Except as provided below in this Section, this Option shall terminate and may not be exercised if Optionee ceases to be either a member of the Board of Directors of the Company or a consultant to the Company ("BOARD MEMBER"). The date on which Optionee ceases to be a Board Member shall be referred to as the "TERMINATION DATE."

3.1 Termination for Any Reason Except Death or Disability. If Optionee ceases to be a Board Member for any reason except death or Disability (as such term is defined in the Plan), then this Option, to the extent (and only to the extent) that it is vested on the Termination Date in accordance with the schedule set forth on the first page of this Agreement, may be exercised by Optionee during the three (3) months following the Termination Date, but in any event must be exercised no later than the Expiration Date.

3.2 Termination Because of Death or Disability. If Optionee ceases to be a Board Member due to Optionee's death or Disability (or dies within 3 months after a termination because of Disability), then this Option, to the extent (and only to the extent) that it is vested on the Termination Date in accordance with the schedule set forth on the first page of this Agreement, may be exercised by Optionee (or Optionee's legal representative or authorized assignee) no later than twelve (12) months following the Termination Date, but in any event must be exercised no later than the Expiration Date.

3.3 No Obligation or Right to Continue as Board Member. Nothing in the Plan or this Agreement confers on Optionee any right or obligation to continue as a Board Member or in any other relationship with the Company or any Parent or Subsidiary of the Company (or any successor-in-interest to the Company).

4. MANNER OF EXERCISE.

4.1 Stock Option Exercise Agreement. To exercise this Option, Optionee (or in the case of exercise after Optionee's death or Disability, Optionee's legal representative) must deliver to the Company an executed stock option exercise agreement in the form attached hereto as Exhibit B, or in such other form as may be approved by the Committee from time to time (the "EXERCISE AGREEMENT"). If someone other than Optionee exercises this Option, then such person must submit documentation reasonably acceptable to the Company that such person has the right to exercise this Option.

4.2 Limitations on Exercise. This Option may not be exercised (a) unless such exercise is in compliance with all applicable federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Common Stock may be listed at the time of such issuance and (b) as to fewer than 100 Shares unless it is exercised as to all Shares as to which this Option is then exercisable. The Company is under no obligation to register or qualify the Shares with the SEC, any state securities commission or any stock exchange to effect such compliance.

4.3 Payment. The Exercise Agreement shall be accompanied by full payment of the Exercise Price for the Shares being purchased in cash (by check), or, where permitted by law, by any method set forth in the Exercise Agreement or any additional method approved by the Committee from time to time.

4.4 Tax Withholding. At the time of exercise, Optionee must pay or provide for any applicable federal or state withholding obligations of the Company associated with the exercise of this Option. If the Committee permits at the time of exercise, Optionee may provide for payment of withholding taxes upon exercise of this Option by requesting that the Company retain Shares with a Fair Market Value equal to the minimum amount of taxes required to be withheld, in which case, the Company shall issue the net number of Shares to Optionee after deducting the Shares retained from the Shares issuable upon exercise.

5. COMPANY'S REPURCHASE OPTION FOR UNVESTED SHARES. In the event Optionee ceases to be a Board Member for any reason, the Company, or its assignee, shall have the option to repurchase Optionee's Unvested Shares (the "REPURCHASE OPTION") at any time within ninety (90) days after the later of Optionee's Termination Date and the date Optionee purchases the Shares by giving Optionee written notice of its election to exercise the Repurchase Option. The Company or its assignee may repurchase from Optionee (or from Optionee's legal representative, as the case may be) all or a portion of the Unvested Shares at Optionee's Exercise Price, proportionately adjusted for any stock split or similar change in the capital structure of the Company as set forth in Section 2.2 of the Plan, which repurchase price shall be paid, at the option of the Company or its assignee, by check or by cancellation of all or a portion of any outstanding indebtedness of Optionee to the Company or such assignee, or by any combination thereof. The repurchase price shall be paid without interest within the ninety (90) day time period set forth above.

6. NONTRANSFERABILITY OF OPTION AND SHARES. This Option may not be transferred in any manner other than under the terms and conditions of the Plan or by will or by the laws of descent and distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the legal representatives and authorized executors and assignees of Optionee. Unvested Shares may not be sold or otherwise transferred without the Company's prior written consent.

7. TAX CONSEQUENCES. Optionee should refer to the prospectus for the Plan for a description of the federal tax consequences of exercising this Option, including the effects of filing an election under 83(b) of the Code in connection with the exercise of this Option for Unvested Shares, and disposing of the Shares. A copy of the Prospectus is available at the Finance/Stock Administration page of the Company's internal website, or upon request from the Company's Stock Administrator at (925) 456-7334.

8. PRIVILEGES OF STOCK OWNERSHIP. Optionee shall not have any of the rights of a stockholder with respect to any Shares until the Shares are issued to Optionee.

9. NOTICES. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address indicated on the first page of this Agreement or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested); one (1) business day after deposit with any return receipt express courier (prepaid); or one (1) business day after transmission by facsimile or email.

10. SUCCESSORS AND ASSIGNS. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and

assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Optionee and Optionee's legal representatives and authorized assignees.

11. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California, without regard to that body of law pertaining to choice of law or conflicts of law.

Stock Option Agreement No. _____

EXHIBIT B

FORMFACTOR, INC.
2002 EQUITY INCENTIVE PLAN (THE "PLAN")
STOCK OPTION EXERCISE AGREEMENT

I ("OPTIONEE") hereby elect to purchase the number of shares of Common Stock of FormFactor, Inc. (the "Company") indicated below:

Optionee_____ Number of Shares Purchased:_____
Social Security Number:_____ Purchase Price per Share:_____
Address:_____ Aggregate Purchase Price:_____
_____ Date of Grant:_____
_____
Type of Option: [ ] Incentive Stock Option Exact Name of Title to Shares:_____
[ ] Nonqualified Stock Option _____

1. DELIVERY OF PURCHASE PRICE. Optionee hereby delivers to the Company the Aggregate Purchase Price as follows (check as applicable and complete):

[ ] in cash (by check) in the amount of $_____, receipt of which is acknowledged by the Company;

[ ] [by cancellation of indebtedness of the Company to Optionee in the amount of $_____;]

[ ] [by delivery of _____ fully-paid, nonassessable and vested shares of the Common Stock of the Company owned by Optionee for at least six (6) months prior to the date hereof (and which have been paid for within the meaning of SEC Rule 144), or obtained by Optionee in the open public market, and owned free and clear of all liens, claims, encumbrances or security interests, valued at the current Fair Market Value of $_____ per share;]

[ ] [by the waiver hereby of compensation due or accrued to Optionee for services rendered in the amount of $_____ ;]

[ ] through a "same-day-sale" commitment from Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD DEALER") whereby Optionee irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Aggregate Purchase Price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Aggregate Purchase Price (together with any required tax withholding) directly to the Company; or

[ ] [through a "margin" commitment from Optionee and the NASD Dealer named therein, whereby Optionee irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Aggregate Purchase Price (together with any required tax withholding) directly to the Company.]

2. UNDERTAKINGS. Optionee acknowledges that any Unvested Shares remain subject to the Terms and Conditions of the Optionee's Stock Option Agreement. If Optionee is married, the Spousal Consent, attached hereto as Exhibit 1, should be completed by Optionee's spouse and returned with this Agreement.

3. TAX CONSEQUENCES. OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.

4. ENTIRE AGREEMENT. The Plan and the Stock Option Agreement are incorporated herein by reference. This Stock Option Exercise Agreement, the Plan and the Stock Option Agreement constitute the entire agreement and understanding and supersede in their entirety all prior understandings and agreements of the Company and Optionee with respect to the subject matter hereof, and are governed by California law except for that body of law pertaining to choice of law or conflicts of law.

Date:_____ _____
SIGNATURE OF OPTIONEE

EXHIBIT 1

SPOUSAL CONSENT

I have read the foregoing Stock Option Exercise Agreement (the "AGREEMENT") and I know its contents. I consent to and approve of the Agreement, and agree that the shares of the Common Stock of FormFactor, Inc. purchased pursuant to the Agreement (the "SHARES") including any interest I may have in the Shares, are subject to all the provisions of the Agreement. I will take no action at any time to hinder application of the Agreement to the Shares or to any interest I may have in the Shares.

_____ Date:_____

SIGNATURE OF OPTIONEE'S SPOUSE

_____

SPOUSE'S NAME - TYPED OR PRINTED

_____

OPTIONEE'S NAME - TYPED OR PRINTED

EXHIBIT C

FORMFACTOR, INC.

2002 EQUITY INCENTIVE PLAN

NON-EXEMPT/EXERCISABLE AFTER 6 MONTHS

NO. _____

FORMFACTOR, INC.
2002 EQUITY INCENTIVE PLAN
STOCK OPTION AGREEMENT

FormFactor, Inc., a Delaware corporation (the "COMPANY"), hereby grants an option (this "OPTION") to the Optionee named below ("OPTIONEE") as of the Date of Grant set forth below (the "DATE OF GRANT") pursuant to the Company's 2002 Equity Incentive Plan (the "PLAN") and this Stock Option Agreement (this "AGREEMENT"), which includes the Terms and Conditions (the "TERMS AND CONDITIONS") set forth on Exhibit A hereto. Capitalized terms not defined in this Agreement have the meanings ascribed to them in the Plan.

OPTIONEE:	_____
SOCIAL SECURITY NUMBER:	_____
OPTIONEE'S ADDRESS:	_____
	_____
TOTAL OPTION SHARES:	_____
EXERCISE PRICE PER SHARE:	_____
DATE OF GRANT:	_____
EXPIRATION DATE:	_____ (unless earlier terminated under Section 3 hereof or pursuant to Section 18 of the Plan)
FIRST VESTING DATE:	_____
VESTING SCHEDULE:	___% of the Shares will vest on the First Vesting Date; then ___% of the Shares will vest on each monthly anniversary of the First Vesting Date until 100% vested.
TYPE OF STOCK OPTION:	[ ] INCENTIVE STOCK OPTION
(CHECK ONE):	[ ] NONQUALIFIED STOCK OPTION

The Company has signed this Agreement effective as the Date of Grant and has caused it to be executed in duplicate by its duly authorized representative.

FORMFACTOR, INC.

By:_____

_____
(Please print name)

_____
(Please print title)

Optionee acknowledges receipt of this Agreement (including the Terms and Conditions), a copy of the Plan, attached hereto as Exhibit C, and the form of Exercise Agreement, attached hereto as Exhibit B. Optionee has read and understands these documents and accepts this Option subject to all the terms and conditions of the Plan and this Agreement. Optionee has executed this Agreement in duplicate as of the Date of Grant.

OPTIONEE

_____
(Signature)

_____
(Please print name)

EXHIBIT A

STOCK OPTION AGREEMENT TERMS AND CONDITIONS

This Option is subject to the following Terms and Conditions and the terms and conditions of the Plan, which are incorporated herein by reference. This Agreement, the Plan and the Exercise Agreement constitute the entire agreement and understanding of the Company and the Optionee with respect to this Option and supersede all prior understandings and agreements with respect to such subject matter. If there is any discrepancy, conflict or omission between this Agreement and the provisions of the Plan as interpreted by the Committee, the provisions of the Plan shall apply.

1. GRANT OF OPTION. The Company hereby grants to Optionee this Option to purchase up to the total number of shares of Common Stock of the Company (the "SHARES") at the Exercise Price Per Share (the "EXERCISE PRICE"), each as set forth on the first page of this Agreement, subject to the terms and conditions of this Agreement and the Plan. If designated as an Incentive Stock Option, this Option is intended to qualify to the extent permitted as an "incentive stock option" ("ISO") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "CODE").

2. EXERCISE PERIOD.

2.1 Vesting of Shares. This Option is exercisable beginning six (6) months from the Date of Grant, although the Shares issued upon exercise of this Option will be subject to the restrictions on transfer and Repurchase Option set forth in this Agreement. Subject to the terms and conditions of the Plan and this Agreement, this Option shall vest as set forth on the first page of this Agreement if Optionee has continuously provided services to the Company, or any Parent or Subsidiary of the Company. Shares that are vested pursuant to the schedule set forth on the first page of this Agreement are "VESTED SHARES." Shares that are not vested pursuant to the schedule set forth on the first page of this Agreement are "UNVESTED SHARES." Notwithstanding any provision in the Plan or this Agreement to the contrary, Options for Unvested Shares will not be exercisable on or after an Optionee's Termination Date.

2.2 Acceleration of Vesting in Certain Circumstances Following a Corporate Transaction. In addition to the vesting provided herein, the Option and Shares subject to this Option shall become vested immediately prior to the occurrence of a Non-Justifiable Termination (as defined below) occurring during the period beginning on the date of consummation of a Corporate Transaction (as defined in the Plan) and ending twelve (12) months thereafter, as to an additional number of Shares equal to the number of Shares that would have vested during the twelve (12) months following the date of such Non-Justifiable Termination (which accelerated vesting is referred to herein as the "CORPORATE TRANSACTION VESTING"). "NON-JUSTIFIABLE TERMINATION" means any Termination by the Company, or any Parent or Subsidiary of the Company or the successor-in-interest to the Company following a Corporate Transaction, other

than for Cause (as defined below). "CAUSE" (for purposes of this paragraph only) means (i) any willful participation by Optionee in acts of either material fraud or material dishonesty against the Company or any Subsidiary or Parent of the Company or the successor-in-interest to the Company following a Corporate Transaction; (ii) any indictment or conviction of Optionee of any felony (excluding drunk driving); (iii) any willful act of gross misconduct by Optionee which is materially and demonstrably injurious to the Company or any Subsidiary or Parent of the Company or the successor-in-interest to the Company following a Corporate Transaction; or (iv) the death or Disability of Optionee. Notwithstanding anything to the contrary set forth in this Agreement, if a Corporate Transaction Vesting occurs by reason of a Non-Justifiable Termination, then this Option may be exercised by Optionee up to, but no later than, three (3) months after the date of such Non-Justifiable Termination, but in any event no later than the Expiration Date.]

[2.3 Acceleration of Vesting on Death or Disability. In the event of Termination of Optionee as a result of his or her death or "permanent and total disability," as such term is defined in Section 22(e)(3) of the Code, then, in addition to the vesting provided herein, the Option and Shares subject to the Option shall become vested as to an additional number of Shares equal to the number of Shares that would have vested during the twelve (12) months following the Termination Date of Optionee; provided, however, such vested Option may be exercised no later than twelve (12) months after the Termination Date, but in any event no later than the Expiration Date.]

2.[4] Expiration. This Option expires on the Expiration Date set forth on the first page of this Agreement and must be exercised, if at all, on or before the earlier of the Expiration Date or the date on which this Option is terminated in accordance with the provisions of this Section 2, Section 3 of this Agreement or Section 18 of the Plan.

3. TERMINATION.

3.1 Termination for Any Reason Except Death, Disability or Cause. If Optionee is Terminated for any reason except Optionee's death, Disability or Cause (as such terms are defined in the Plan), then this Option, to the extent (and only to the extent) that it is vested on the Termination Date in accordance with the schedule set forth on the first page of this Agreement, may be exercised by Optionee during the three (3) months following the Termination Date, but in any event must be exercised no later than the Expiration Date.

3.2 Termination Because of Death or Disability. If Optionee is Terminated because of Optionee's death or Disability (or Optionee dies within three (3) months after Termination for any reason except Cause or Disability), then this Option, to the extent (and only to the extent) that it is vested on the Termination Date in accordance with the schedule set forth on the first page of this Agreement, may be exercised by Optionee (or Optionee's legal representative or authorized assignee) during the twelve (12) months following the Termination Date, but in any event must be exercised no later than the Expiration Date. Any exercise occurring more than

three months following the Termination Date (when the Termination is for any reason other than Optionee's death or disability (as defined in the Code)), shall be deemed to be the exercise of a nonqualified stock option.

3.3 Termination for Cause. If Optionee is Terminated for Cause, then this Option, to the extent (and only to the extent) that it is vested on the Termination Date in accordance with the schedule set forth on the first page of this Agreement, may be exercised by Optionee no later than one (1) month after the Termination Date, but in any event must be exercised no later than the Expiration Date.

3.4 No Obligation to Employ. Nothing in the Plan or this Agreement confers on Optionee any right to continue in the employ of, or other relationship with, the Company or any Parent or Subsidiary of the Company (or any successor-in-interest to the Company), or limits in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Optionee's employment or other relationship at any time, with or without Cause.

4. MANNER OF EXERCISE.

4.1 Stock Option Exercise Agreement. To exercise this Option, Optionee (or in the case of exercise after Optionee's death or Disability, Optionee's legal representative) must deliver to the Company an executed stock option exercise agreement in the form attached hereto as Exhibit B, or in such other form as may be approved by the Committee from time to time (the "EXERCISE AGREEMENT"). If someone other than Optionee exercises this Option, then such person must submit documentation reasonably acceptable to the Company that such person has the right to exercise this Option.

4.2 Limitations on Exercise. This Option may not be exercised (a) unless such exercise is in compliance with all applicable federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Common Stock may be listed at the time of such issuance and (b) as to fewer than 100 Shares unless it is exercised as to all Shares as to which this Option is then exercisable. The Company is under no obligation to register or qualify the Shares with the SEC, any state securities commission or any stock exchange to effect such compliance.

4.3 Payment. The Exercise Agreement shall be accompanied by full payment of the Exercise Price for the Shares being purchased in cash (by check), or, where permitted by law, by any method set forth in the Exercise Agreement or any additional method approved by the Committee from time to time.

4.4 Tax Withholding. At the time of exercise, Optionee must pay or provide for any applicable federal or state withholding obligations of the Company associated with the exercise of this Option. If the Committee permits at the time of exercise, Optionee may provide for payment of withholding taxes upon exercise of this Option by requesting that the Company retain Shares with a Fair Market Value equal to the minimum amount of taxes required to be withheld,

in which case, the Company shall issue the net number of Shares to Optionee after deducting the Shares retained from the Shares issuable upon exercise.

5. COMPANY'S REPURCHASE OPTION FOR UNVESTED SHARES. In the event Optionee is Terminated for any reason, the Company, or its assignee, shall have the option to repurchase Optionee's Unvested Shares (the "REPURCHASE OPTION") at any time within ninety (90) days after the later of Optionee's Termination Date and the date Optionee purchases the Shares by giving Optionee written notice of its election to exercise the Repurchase Option. The Company or its assignee may repurchase from Optionee (or from Optionee's legal representative, as the case may be) all or a portion of the Unvested Shares at Optionee's Exercise Price, proportionately adjusted for any stock split or similar change in the capital structure of the Company as set forth in Section 2.2 of the Plan, which repurchase price shall be paid, at the option of the Company or its assignee, by check or by cancellation of all or a portion of any outstanding indebtedness of Optionee to the Company or such assignee, or by any combination thereof. The repurchase price shall be paid without interest within the ninety (90) day time period set forth above.

6. NONTRANSFERABILITY OF OPTION AND SHARES. This Option may not be transferred in any manner other than under the terms and conditions of the Plan or by will or by the laws of descent and distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the legal representatives and authorized executors and assignees of Optionee. Unvested Shares may not be sold or otherwise transferred without the Company's prior written consent.

7. TAX CONSEQUENCES. Optionee should refer to the prospectus for the Plan for a description of the federal tax consequences of exercising this Option, including the effects of filing an election under 83(b) of the Code in connection with the exercise of this Option for Unvested Shares, and disposing of the Shares. A copy of the Prospectus is available at the Finance/Stock Administration page of the Company's internal website, or upon request from the Company's Stock Administrator at (925) 456-7334.

8. PRIVILEGES OF STOCK OWNERSHIP. Optionee shall not have any of the rights of a stockholder with respect to any Shares until the Shares are issued to Optionee.

9. NOTICES. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address indicated on the first page of this Agreement or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested); one (1) business day after deposit with any return receipt express courier (prepaid); or one (1) business day after transmission by facsimile or email.

10. SUCCESSORS AND ASSIGNS. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Optionee and Optionee's legal representatives and authorized assignees.

11. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California, without regard to that body of law pertaining to choice of law or conflicts of law.

EXHIBIT B

FORMFACTOR, INC.
2002 EQUITY INCENTIVE PLAN (THE "PLAN")
STOCK OPTION EXERCISE AGREEMENT

I ("OPTIONEE") hereby elect to purchase the number of shares of Common Stock of FormFactor, Inc. (the "Company") indicated below:

Optionee_____
Social Security Number:_____
Address:_____
_____
_____

Number of Shares Purchased:_____
Purchase Price per Share:_____
Aggregate Purchase Price:_____
Date of Grant:_____

Type of Option: [ ] Incentive Stock Option
[ ] Nonqualified Stock Option

Exact Name of Title to Shares:_____
_____

1. DELIVERY OF PURCHASE PRICE. Optionee hereby delivers to the Company the Aggregate Purchase Price as follows (check as applicable and complete):

[ ] in cash (by check) in the amount of $_____, receipt of which is acknowledged by the Company;

[ ] [by cancellation of indebtedness of the Company to Optionee in the amount of $_____;]

[ ] [by delivery of _____ fully-paid, nonassessable and vested shares of the Common Stock of the Company owned by Optionee for at least six (6) months prior to the date hereof (and which have been paid for within the meaning of SEC Rule 144), or obtained by Optionee in the open public market, and owned free and clear of all liens, claims, encumbrances or security interests, valued at the current Fair Market Value of $_____ per share;]

[ ] [by the waiver hereby of compensation due or accrued to Optionee for services rendered in the amount of $_____ ;]

[ ] through a "same-day-sale" commitment from Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD DEALER") whereby Optionee irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Aggregate Purchase Price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Aggregate Purchase Price (along with any required tax withholding) directly to the Company; or

[ ] [through a "margin" commitment from Optionee and the NASD Dealer named therein, whereby Optionee irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Aggregate Purchase Price (along with any required tax withholding) directly to the Company.]

2. UNDERTAKINGS. Optionee acknowledges that any Unvested Shares remain subject to the Terms and Conditions of the Optionee's Stock Option Agreement. To the extent this Option is an ISO, if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (a) the date two (2) years after the Date of Grant, and (b) the date one (1) year after transfer of such Shares to Optionee upon exercise of this Option, then Optionee shall immediately notify the Company in writing of such disposition. If Optionee is married, the Spousal Consent, attached hereto as Exhibit 1, should be completed by Optionee's spouse and returned with this Agreement.

3. TAX CONSEQUENCES. OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.

4. ENTIRE AGREEMENT. The Plan and the Stock Option Agreement are incorporated herein by reference. This Stock Option Exercise Agreement, the Plan and the Stock Option Agreement constitute the entire agreement and understanding and supersede in their entirety all prior understandings and agreements of the Company and Optionee with respect to the subject matter hereof, and are governed by California law except for that body of law pertaining to choice of law or conflicts of law.

Date:_____ _____
SIGNATURE OF OPTIONEE

EXHIBIT 1

SPOUSAL CONSENT

I have read the foregoing Stock Option Exercise Agreement (the "AGREEMENT") and I know its contents. I consent to and approve of the Agreement, and agree that the shares of the Common Stock of FormFactor, Inc. purchased pursuant to the Agreement (the "SHARES") including any interest I may have in the Shares, are subject to all the provisions of the Agreement. I will take no action at any time to hinder application of the Agreement to the Shares or to any interest I may have in the Shares.

_____ Date:_____
SIGNATURE OF OPTIONEE'S SPOUSE

_____
SPOUSE'S NAME - TYPED OR PRINTED

_____
OPTIONEE'S NAME - TYPED OR PRINTED

EXHIBIT C

FORMFACTOR, INC.

2002 EQUITY INCENTIVE PLAN

EXEMPT/IMMEDIATELY EXERCISABLE

NO. _____

FORMFACTOR, INC.
2002 EQUITY INCENTIVE PLAN
STOCK OPTION AGREEMENT

FormFactor, Inc., a Delaware corporation (the "COMPANY"), hereby grants an option (this "OPTION") to the Optionee named below ("OPTIONEE") as of the Date of Grant set forth below (the "DATE OF GRANT") pursuant to the Company's 2002 Equity Incentive Plan (the "PLAN") and this Stock Option Agreement (this "AGREEMENT"), which includes the Terms and Conditions (the "TERMS AND CONDITIONS") set forth on Exhibit A hereto. Capitalized terms not defined in this Agreement have the meanings ascribed to them in the Plan.

OPTIONEE:	_____
SOCIAL SECURITY NUMBER:	_____
OPTIONEE'S ADDRESS:	_____
	_____
TOTAL OPTION SHARES:	_____
EXERCISE PRICE PER SHARE:	_____
DATE OF GRANT:	_____
EXPIRATION DATE:	_____ (unless earlier terminated under Section 3 hereof or pursuant to Section 18 of the Plan)
FIRST VESTING DATE:	_____
VESTING SCHEDULE:	___% of the Shares will vest on the First Vesting Date; then ___% of the Shares will vest on each monthly anniversary of the First Vesting Date until 100% vested.
TYPE OF STOCK OPTION:	[ ] INCENTIVE STOCK OPTION
(CHECK ONE):	[ ] NONQUALIFIED STOCK OPTION

The Company has signed this Agreement effective as the Date of Grant and has caused it to be executed in duplicate by its duly authorized representative.

FORMFACTOR, INC.

By: _____

_____
(Please print name)

_____
(Please print title)

Optionee acknowledges receipt of this Agreement (including the Terms and Conditions), a copy of the Plan, attached hereto as Exhibit C, and the form of Exercise Agreement, attached hereto as Exhibit B. Optionee has read and understands these documents and accepts this Option subject to all the terms and conditions of the Plan and this Agreement. Optionee has executed this Agreement in duplicate as of the Date of Grant.

OPTIONEE

_____
(Signature)

_____
(Please print name)

EXHIBIT A

STOCK OPTION AGREEMENT TERMS AND CONDITIONS

This Option is subject to the following Terms and Conditions and the terms and conditions of the Plan, which are incorporated herein by reference. This Agreement, the Plan and the Exercise Agreement constitute the entire agreement and understanding of the Company and the Optionee with respect to this Option and supersede all prior understandings and agreements with respect to such subject matter. If there is any discrepancy, conflict or omission between this Agreement and the provisions of the Plan as interpreted by the Committee, the provisions of the Plan shall apply.

1. GRANT OF OPTION. The Company hereby grants to Optionee this Option to purchase up to the total number of shares of Common Stock of the Company (the "SHARES") at the Exercise Price Per Share (the "EXERCISE PRICE"), each as set forth on the first page of this Agreement, subject to the terms and conditions of this Agreement and the Plan. If designated as an Incentive Stock Option, this Option is intended to qualify to the extent permitted as an "incentive stock option" ("ISO") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "CODE").

2. EXERCISE PERIOD.

2.1 Vesting of Shares. This Option is immediately exercisable, although the Shares issued upon exercise of this Option will be subject to the restrictions on transfer and Repurchase Option set forth in this Agreement. Subject to the terms and conditions of the Plan and this Agreement, this Option shall vest as set forth on the first page of this Agreement if Optionee has continuously provided services to the Company, or any Parent or Subsidiary of the Company. Shares that are vested pursuant to the schedule set forth on the first page of this Agreement are "VESTED SHARES." Shares that are not vested pursuant to the schedule set forth on the first page of this Agreement are "UNVESTED SHARES." Notwithstanding any provision in the Plan or this Agreement to the contrary, Options for Unvested Shares will not be exercisable on or after an Optionee's Termination Date.

[2.2 Acceleration of Vesting in Certain Circumstances Following a Corporate Transaction. In addition to the vesting provided herein, the Option and Shares subject to this Option shall become vested immediately prior to the occurrence of a Non-Justifiable Termination (as defined below) occurring during the period beginning on the date of consummation of a Corporate Transaction (as defined in the Plan) and ending twelve (12) months thereafter, as to an additional number of Shares equal to the number of Shares that would have vested during the twelve (12) months following the date of such Non-Justifiable Termination (which accelerated vesting is referred to herein as the "CORPORATE TRANSACTION VESTING"). "NON-JUSTIFIABLE

TERMINATION" means any Termination by the Company, or any Parent or Subsidiary of the Company or the successor-in-interest to the Company following a Corporate Transaction, other than for Cause (as defined below). "CAUSE" (for purposes of this paragraph only) means (i) any willful participation by Optionee in acts of either material fraud or material dishonesty against the Company or any Subsidiary or Parent of the Company or the successor-in-interest to the Company following a Corporate Transaction; (ii) any indictment or conviction of Optionee of any felony (excluding drunk driving); (iii) any willful act of gross misconduct by Optionee which is materially and demonstrably injurious to the Company or any Subsidiary or Parent of the Company or the successor-in-interest to the Company following a Corporate Transaction; or (iv) the death or Disability of Optionee. Notwithstanding anything to the contrary set forth in this Agreement, if a Corporate Transaction Vesting occurs by reason of a Non-Justifiable Termination, then this Option may be exercised by Optionee up to, but no later than, three (3) months after the date of such Non-Justifiable Termination, but in any event no later than the Expiration Date.]

[2.3 Acceleration of Vesting on Death or Disability. In the event of Termination of Optionee as a result of his or her death or "permanent and total disability," as such term is defined in Section 22(e)(3) of the Code, then, in addition to the vesting provided herein, the Option and Shares subject to the Option shall become vested as to an additional number of Shares equal to the number of Shares that would have vested during the twelve (12) months following the Termination Date of Optionee; provided, however, such vested Option may be exercised no later than twelve (12) months after the Termination Date, but in any event no later than the Expiration Date.]

2.[4] Expiration. This Option expires on the Expiration Date set forth on the first page of this Agreement and must be exercised, if at all, on or before the earlier of the Expiration Date or the date on which this Option is terminated in accordance with the provisions of this Section 2, Section 3 of this Agreement or Section 18 of the Plan.

3. TERMINATION.

3.1 Termination for Any Reason Except Death, Disability or Cause. If Optionee is Terminated for any reason except Optionee's death, Disability or Cause (as such terms are defined in the Plan), then this Option, to the extent (and only to the extent) that it is vested on the Termination Date in accordance with the schedule set forth on the first page of this Agreement, may be exercised by Optionee during the three (3) months following the Termination Date, but in any event must be exercised no later than the Expiration Date.

3.2 Termination Because of Death or Disability. If Optionee is Terminated because of Optionee's death or Disability (or Optionee dies within three (3) months after Termination for any reason except Cause or Disability), then this Option, to the extent (and only to the extent) that it is vested on the Termination Date in accordance with the schedule set forth on the first page of this Agreement, may be exercised by Optionee (or Optionee's legal representative or authorized assignee) during the twelve (12) months following the Termination Date, but in any

event must be exercised no later than the Expiration Date. Any exercise occurring more than three months following the Termination Date (when the Termination is for any reason other than Optionee's death or disability (as defined in the Code)), shall be deemed to be the exercise of a nonqualified stock option.

3.3 Termination for Cause. If Optionee is Terminated for Cause, then this Option, to the extent (and only to the extent) that it is vested on the Termination Date in accordance with the schedule set forth on the first page of this Agreement, may be exercised by Optionee no later than one (1) month after the Termination Date, but in any event must be exercised no later than the Expiration Date.

3.4 No Obligation to Employ. Nothing in the Plan or this Agreement confers on Optionee any right to continue in the employ of, or other relationship with, the Company or any Parent or Subsidiary of the Company (or any successor-in-interest to the Company), or limits in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Optionee's employment or other relationship at any time, with or without Cause.

4. MANNER OF EXERCISE.

4.1 Stock Option Exercise Agreement. To exercise this Option, Optionee (or in the case of exercise after Optionee's death or Disability, Optionee's legal representative) must deliver to the Company an executed stock option exercise agreement in the form attached hereto as Exhibit B, or in such other form as may be approved by the Committee from time to time (the "EXERCISE AGREEMENT"). If someone other than Optionee exercises this Option, then such person must submit documentation reasonably acceptable to the Company that such person has the right to exercise this Option.

4.2 Limitations on Exercise. This Option may not be exercised (a) unless such exercise is in compliance with all applicable federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Common Stock may be listed at the time of such issuance and (b) as to fewer than 100 Shares unless it is exercised as to all Shares as to which this Option is then exercisable. The Company is under no obligation to register or qualify the Shares with the SEC, any state securities commission or any stock exchange to effect such compliance.

4.3 Payment. The Exercise Agreement shall be accompanied by full payment of the Exercise Price for the Shares being purchased in cash (by check), or, where permitted by law, by any method set forth in the Exercise Agreement or any additional method approved by the Committee from time to time.

4.4 Tax Withholding. At the time of exercise, Optionee must pay or provide for any applicable federal or state withholding obligations of the Company associated with the exercise of this Option. If the Committee permits at the time of exercise, Optionee may provide for payment of withholding taxes upon exercise of this Option by requesting that the Company retain Shares with a Fair Market Value equal to the minimum amount of taxes required to be withheld,

in which case, the Company shall issue the net number of Shares to Optionee after deducting the Shares retained from the Shares issuable upon exercise.

5. COMPANY'S REPURCHASE OPTION FOR UNVESTED SHARES.

In the event Optionee is Terminated for any reason, the Company, or its assignee, shall have the option to repurchase Optionee's Unvested Shares (the "REPURCHASE OPTION") at any time within ninety (90) days after the later of Optionee's Termination Date and the date Optionee purchases the Shares by giving Optionee written notice of its election to exercise the Repurchase Option. The Company or its assignee may repurchase from Optionee (or from Optionee's legal representative, as the case may be) all or a portion of the Unvested Shares at Optionee's Exercise Price, proportionately adjusted for any stock split or similar change in the capital structure of the Company as set forth in Section 2.2 of the Plan, which repurchase price shall be paid, at the option of the Company or its assignee, by check or by cancellation of all or a portion of any outstanding indebtedness of Optionee to the Company or such assignee, or by any combination thereof. The repurchase price shall be paid without interest within the ninety (90) day time period set forth above.

6. NONTRANSFERABILITY OF OPTION AND SHARES.

This Option may not be transferred in any manner other than under the terms and conditions of the Plan or by will or by the laws of descent and distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the legal representatives and authorized executors and assignees of Optionee. Unvested Shares may not be sold or otherwise transferred without the Company's prior written consent.

7. TAX CONSEQUENCES.

Optionee should refer to the prospectus for the Plan for a description of the federal tax consequences of exercising this Option, including the effects of filing an election under 83(b) of the Code in connection with the exercise of this Option for Unvested Shares, and disposing of the Shares. A copy of the Prospectus is available at the Finance/Stock Administration page of the Company's internal website, or upon request from the Company's Stock Administrator at (925) 456-7334.

8. PRIVILEGES OF STOCK OWNERSHIP.

Optionee shall not have any of the rights of a stockholder with respect to any Shares until the Shares are issued to Optionee.

9. NOTICES.

Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in

writing and addressed to Optionee at the address indicated on the first page of this Agreement or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested); one (1) business day after deposit with any return receipt express courier (prepaid); or one (1) business day after transmission by facsimile or email.

10. SUCCESSORS AND ASSIGNS.

The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Optionee and Optionee's legal representatives and authorized assignees.

11. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the internal laws of the State of California, without regard to that body of law pertaining to choice of law or conflicts of law.

Stock Option Agreement No. _____

EXHIBIT B

FORMFACTOR, INC.
2002 EQUITY INCENTIVE PLAN (THE "PLAN")
STOCK OPTION EXERCISE AGREEMENT

I ("OPTIONEE") hereby elect to purchase the number of shares of Common Stock of FormFactor, Inc. (the "Company") indicated below:

Optionee_____
Social Security Number:_____
Address:_____
_____
_____

Number of Shares Purchased:_____
Purchase Price per Share:_____
Aggregate Purchase Price:_____
Date of Grant:_____

Type of Option: [ ] Incentive Stock Option
[ ] Nonqualified Stock Option

Exact Name of Title to Shares:
_____

1. DELIVERY OF PURCHASE PRICE. Optionee hereby delivers to the Company the Aggregate Purchase Price as follows (check as applicable and complete):

[ ] in cash (by check) in the amount of $_____, receipt of which is acknowledged by the Company;

[ ] [by cancellation of indebtedness of the Company to Optionee in the amount of $_____;]

[ ] [by delivery of _____ fully-paid, nonassessable and vested shares of the Common Stock of the Company owned by Optionee for at least six (6) months prior to the date hereof (and which have been paid for within the meaning of SEC Rule 144), or obtained by Optionee in the open public market, and owned free and clear of all liens, claims, encumbrances or security interests, valued at the current Fair Market Value of $_____ per share;]

[ ] [by the waiver hereby of compensation due or accrued to Optionee for services rendered in the amount of $_____ ;]

[ ] through a "same-day-sale" commitment from Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD DEALER") whereby Optionee irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Aggregate Purchase Price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Aggregate Purchase Price (along with any required tax withholding) directly to the Company; or

[ ] [through a "margin" commitment from Optionee and the NASD Dealer named therein, whereby Optionee irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Aggregate Purchase Price (along with any required tax withholding) directly to the Company.]

2. UNDERTAKINGS. Optionee acknowledges that any Unvested Shares remain subject to the Terms and Conditions of the Optionee's Stock Option Agreement. To the extent this Option is an ISO, if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (a) the date two (2) years after the Date of Grant, and (b) the date one (1) year after transfer of such Shares to Optionee upon exercise of this Option, then Optionee shall immediately notify the Company in writing of such disposition. If Optionee is married, the Spousal Consent, attached hereto as Exhibit 1, should be completed by Optionee's spouse and returned with this Agreement.

3. TAX CONSEQUENCES. OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.

4. ENTIRE AGREEMENT. The Plan and the Stock Option Agreement are incorporated herein by reference. This Stock Option Exercise Agreement, the Plan and the Stock Option Agreement constitute the entire agreement and understanding and supersede in their entirety all prior understandings and agreements of the Company and Optionee with respect to the subject matter hereof, and are governed by California law except for that body of law pertaining to choice of law or conflicts of law.

Date:_____ _____
SIGNATURE OF OPTIONEE

EXHIBIT 1

SPOUSAL CONSENT

I have read the foregoing Stock Option Exercise Agreement (the "AGREEMENT") and I know its contents. I consent to and approve of the Agreement, and agree that the shares of the Common Stock of FormFactor, Inc. purchased pursuant to the Agreement (the "SHARES") including any interest I may have in the Shares, are subject to all the provisions of the Agreement. I will take no action at any time to hinder application of the Agreement to the Shares or to any interest I may have in the Shares.

_____ Date:_____

SIGNATURE OF OPTIONEE'S SPOUSE

_____

SPOUSE'S NAME - TYPED OR PRINTED

_____

OPTIONEE'S NAME - TYPED OR PRINTED

EXHIBIT C

FORMFACTOR, INC.

2002 EQUITY INCENTIVE PLAN

EXEMPT AND NON-EXEMPT/EXERCISABLE AS VESTS

NO._____

FORMFACTOR, INC.
2002 EQUITY INCENTIVE PLAN
STOCK OPTION AGREEMENT

FormFactor, Inc., a Delaware corporation (the "COMPANY"), hereby grants an option (this "OPTION") to the Optionee named below ("OPTIONEE") as of the Date of Grant set forth below (the "DATE OF GRANT") pursuant to the Company's 2002 Equity Incentive Plan (the "PLAN") and this Stock Option Agreement (this "AGREEMENT"), which includes the Terms and Conditions (the "TERMS AND CONDITIONS") set forth on Exhibit A hereto. Capitalized terms not defined in this Agreement have the meanings ascribed to them in the Plan.

OPTIONEE: _____

SOCIAL SECURITY NUMBER: _____

OPTIONEE'S ADDRESS: _____

_____

TOTAL OPTION SHARES: _____

EXERCISE PRICE PER SHARE: _____

DATE OF GRANT: _____

EXPIRATION DATE: _____
(unless earlier terminated under Section 3 hereof or pursuant to Section 18 of the Plan)

FIRST VESTING DATE: _____

VESTING SCHEDULE: ___% of the Shares will vest on the First Vesting Date; then ___% of the Shares will vest on each monthly anniversary of the First Vesting Date until 100% vested.

TYPE OF STOCK OPTION: [ ] INCENTIVE STOCK OPTION

(CHECK ONE): [ ] NONQUALIFIED STOCK OPTION

The Company has signed this Agreement effective as the Date of Grant and has caused it to be executed in duplicate by its duly authorized representative.

FORMFACTOR, INC.

By: _____

_____
(Please print name)

_____
(Please print title)

Optionee acknowledges receipt of this Agreement (including the Terms and Conditions), a copy of the Plan, attached hereto as Exhibit C, and the form of Exercise Agreement, attached hereto as Exhibit B. Optionee has read and understands these documents and accepts this Option subject to all the terms and conditions of the Plan and this Agreement. Optionee has executed this Agreement in duplicate as of the Date of Grant.

OPTIONEE

_____
(Signature)

_____
(Please print name)

EXHIBIT A

STOCK OPTION AGREEMENT TERMS AND CONDITIONS

This Option is subject to the following Terms and Conditions and the terms and conditions of the Plan, which are incorporated herein by reference. This Agreement, the Plan and the Exercise Agreement constitute the entire agreement and understanding of the Company and the Optionee with respect to this Option and supersede all prior understandings and agreements with respect to such subject matter. If there is any discrepancy, conflict or omission between this Agreement and the provisions of the Plan as interpreted by the Committee, the provisions of the Plan shall apply.

1.GRANT OF OPTION. The Company hereby grants to Optionee this Option to purchase up to the total number of shares of Common Stock of the Company (the "SHARES") at the Exercise Price Per Share (the "EXERCISE PRICE"), each as set forth on the first page of this Agreement, subject to the terms and conditions of this Agreement and the Plan. If designated as an Incentive Stock Option, this Option is intended to qualify to the extent permitted as an "incentive stock option" ("ISO") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "CODE").

2. EXERCISE PERIOD.

2.1 Vesting of Shares. This Option is exercisable as it vests. Subject to the terms and conditions of the Plan and this Agreement, this Option shall vest and become exercisable as set forth on the first page of this Agreement if Optionee has continuously provided services to the Company, or any Parent or Subsidiary of the Company.

[2.2 Acceleration of Vesting in Certain Circumstances Following a Corporate Transaction. In addition to the vesting provided herein, the Option and Shares subject to this Option shall become vested and exercisable immediately prior to the occurrence of a Non-Justifiable Termination (as defined below) occurring during the period beginning on the date of consummation of a Corporate Transaction (as defined in the Plan) and ending twelve (12) months thereafter, as to an additional number of Shares equal to the number of Shares that would have vested and become exercisable during the twelve (12) months following the date of such Non-Justifiable Termination (which accelerated vesting and exercisability is referred to herein as the "CORPORATE TRANSACTION VESTING"). "NON-JUSTIFIABLE TERMINATION" means any Termination by the Company, or any Parent or Subsidiary of the Company or the successor-in-interest to the Company following a Corporate Transaction, other than for Cause (as defined below). "CAUSE" (for purposes of this paragraph only) means (i) any willful participation by Optionee in acts of either material fraud or material dishonesty against the Company or any Subsidiary or Parent of

the Company or the successor-in-interest to the Company following a Corporate Transaction; (ii) any indictment or conviction of Optionee of any felony (excluding drunk driving); (iii) any willful act of gross misconduct by Optionee which is materially and demonstrably injurious to the Company or any Subsidiary or Parent of the Company or the successor-in-interest to the Company following a Corporate Transaction; or (iv) the death or Disability of Optionee. Notwithstanding anything to the contrary set forth in this Agreement, if a Corporate Transaction Vesting occurs by reason of a Non-Justifiable Termination, then this Option may be exercised by Optionee up to, but no later than, three (3) months after the date of such Non-Justifiable Termination, but in any event no later than the Expiration Date.]

[2.3 Acceleration of Vesting on Death or Disability. In the event of Termination of Optionee as a result of his or her death or "permanent and total disability," as such term is defined in Section 22(e)(3) of the Code, then, in addition to the vesting provided herein, the Option and Shares subject to the Option shall become vested and exercisable as to an additional number of Shares equal to the number of Shares that would have vested and become exercisable during the twelve (12) months following the Termination Date of Optionee; provided, however, such vested Option may be exercised no later than twelve (12) months after the Termination Date, but in any event no later than the Expiration Date.]

2.[4] Expiration. This Option expires on the Expiration Date set forth on the first page of this Agreement and must be exercised, if at all, on or before the earlier of the Expiration Date or the date on which this Option is terminated in accordance with the provisions of this Section 2, Section 3 of this Agreement or Section 18 of the Plan.

3. TERMINATION.

3.1 Termination for Any Reason Except Death, Disability or Cause. If Optionee is Terminated for any reason except Optionee's death, Disability or Cause (as such terms are defined in the Plan), then this Option, to the extent (and only to the extent) that it is vested on the Termination Date in accordance with the schedule set forth on the first page of this Agreement, may be exercised by Optionee during the three (3) months following the Termination Date, but in any event must be exercised no later than the Expiration Date.

3.2 Termination Because of Death or Disability. If Optionee is Terminated because of Optionee's death or Disability (or Optionee dies within three (3) months after Termination for any reason except Cause or Disability), then this Option, to the extent (and only to the extent) that it is vested on the Termination Date in accordance with the schedule set forth on the first page of this Agreement, may be exercised by Optionee (or Optionee's legal representative or authorized assignee) during the twelve (12) months following the Termination Date, but in any event must be exercised no later than the Expiration Date. Any exercise occurring more than three months following the Termination Date (when the Termination is for any reason other than Optionee's death or disability (as defined in the Code)), shall be deemed to be the exercise of a nonqualified stock option.

3.3 Termination for Cause. If Optionee is Terminated for Cause, then this Option, to the extent (and only to the extent) that it is vested on the Termination Date in accordance with the schedule set forth on the first page of this Agreement, may be exercised by Optionee no later than one (1) month after the Termination Date, but in any event must be exercised no later than the Expiration Date.

3.4 No Obligation to Employ. Nothing in the Plan or this Agreement confers on Optionee any right to continue in the employ of, or other relationship with, the Company or any Parent or Subsidiary of the Company (or any successor-in-interest to the Company), or limits in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Optionee's employment or other relationship at any time, with or without Cause.

4. MANNER OF EXERCISE.

4.1 Stock Option Exercise Agreement. To exercise this Option, Optionee (or in the case of exercise after Optionee's death or Disability, Optionee's legal representative) must deliver to the Company an executed stock option exercise agreement in the form attached hereto as Exhibit B, or in such other form as may be approved by the Committee from time to time (the "EXERCISE AGREEMENT"). If someone other than Optionee exercises this Option, then such person must submit documentation reasonably acceptable to the Company that such person has the right to exercise this Option.

4.2 Limitations on Exercise. This Option may not be exercised (a) unless such exercise is in compliance with all applicable federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Common Stock may be listed at the time of such issuance and (b) as to fewer than 100 Shares unless it is exercised as to all Shares as to which this Option is then exercisable. The Company is under no obligation to register or qualify the Shares with the SEC, any state securities commission or any stock exchange to effect such compliance.

4.3 Payment. The Exercise Agreement shall be accompanied by full payment of the Exercise Price for the Shares being purchased in cash (by check), or, where permitted by law, by any method set forth in the Exercise Agreement or any additional method approved by the Committee from time to time.

4.4 Tax Withholding. At the time of exercise, Optionee must pay or provide for any applicable federal or state withholding obligations of the Company associated with the exercise of this Option. If the Committee permits at the time of exercise, Optionee may provide for payment of withholding taxes upon exercise of this Option by requesting that the Company retain Shares with a Fair Market Value equal to the minimum amount of taxes required to be withheld, in which case, the Company shall issue the net number of Shares to Optionee after deducting the Shares retained from the Shares issuable upon exercise.

5. NONTRANSFERABILITY OF OPTION AND SHARES.

This Option may not be transferred in any manner other than under the terms and conditions of the Plan or by will or by the laws of descent and distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the legal representatives and authorized executors and assignees of Optionee.

6. TAX CONSEQUENCES.

Optionee should refer to the prospectus for the Plan for a description of the federal tax consequences of exercising this Option and disposing of the Shares. A copy of the Prospectus is available at the Finance/Stock Administration page of the Company's internal website, or upon request from the Company's Stock Administrator at (925) 456-7334.

7. PRIVILEGES OF STOCK OWNERSHIP.

Optionee shall not have any of the rights of a stockholder with respect to any Shares until the Shares are issued to Optionee.

8. NOTICES.

Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address indicated on the first page of this Agreement or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested); one (1) business day after deposit with any return receipt express courier (prepaid); or one (1) business day after transmission by facsimile or email.

9. SUCCESSORS AND ASSIGNS.

The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Optionee and Optionee's legal representatives and authorized assignees.

10. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the internal laws of the State of California, without regard to that body of law pertaining to choice of law or conflicts of law.

Stock Option Agreement No. _____

EXHIBIT B

FORMFACTOR, INC.
2002 EQUITY INCENTIVE PLAN (THE "PLAN")
STOCK OPTION EXERCISE AGREEMENT

I ("OPTIONEE") hereby elect to purchase the number of shares of Common Stock of FormFactor, Inc. (the "Company") indicated below:

Optionee_____
Social Security Number:_____
Address:_____
_____
_____

Number of Shares Purchased:_____
Purchase Price per Share:_____
Aggregate Purchase Price:_____
Date of Grant:_____

Type of Option: [ ] Incentive Stock Option
[ ] Nonqualified Stock Option

Exact Name of Title to Shares:
_____

1. DELIVERY OF PURCHASE PRICE. Optionee hereby delivers to the Company the Aggregate Purchase Price as follows (check as applicable and complete):

[ ] in cash (by check) in the amount of $_____, receipt of which is acknowledged by the Company;

[ ] [by cancellation of indebtedness of the Company to Optionee in the amount of $_____;]

[ ] [by delivery of _____ fully-paid, nonassessable and vested shares of the Common Stock of the Company owned by Optionee for at least six (6) months prior to the date hereof (and which have been paid for within the meaning of SEC Rule 144), or obtained by Optionee in the open public market, and owned free and clear of all liens, claims, encumbrances or security interests, valued at the current Fair Market Value of $_____ per share;]

[ ] [by the waiver hereby of compensation due or accrued to Optionee for services rendered in the amount of $_____ ;]

[ ] through a "same-day-sale" commitment from Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD DEALER") whereby Optionee irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Aggregate Purchase Price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Aggregate Purchase Price (along with any required tax withholding) directly to the Company; or

[ ] [through a "margin" commitment from Optionee and the NASD Dealer named therein, whereby Optionee irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Aggregate Purchase Price (along with any required tax withholding) directly to the Company.]

2. UNDERTAKINGS. To the extent this Option is an ISO, if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (a) the date two (2) years after the Date of Grant, and (b) the date one (1) year after transfer of such Shares to Optionee upon exercise of this Option, then Optionee shall immediately notify the Company in writing of such disposition. If Optionee is married, the Spousal Consent, attached hereto as Exhibit 1, should be completed by Optionee's spouse and returned with this Agreement.

3. TAX CONSEQUENCES. OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.

4. ENTIRE AGREEMENT. The Plan and the Stock Option Agreement are incorporated herein by reference. This Stock Option Exercise Agreement, the Plan and the Stock Option Agreement constitute the entire agreement and understanding and supersede in their entirety all prior understandings and agreements of the Company and Optionee with respect to the subject matter hereof, and are governed by California law except for that body of law pertaining to choice of law or conflicts of law.

Date:_____ _____
SIGNATURE OF OPTIONEE

EXHIBIT 1

SPOUSAL CONSENT

I have read the foregoing Stock Option Exercise Agreement (the "AGREEMENT") and I know its contents. I consent to and approve of the Agreement, and agree that the shares of the Common Stock of FormFactor, Inc. purchased pursuant to the Agreement (the "SHARES") including any interest I may have in the Shares, are subject to all the provisions of the Agreement. I will take no action at any time to hinder application of the Agreement to the Shares or to any interest I may have in the Shares.

_____ Date:_____

SIGNATURE OF OPTIONEE'S SPOUSE

_____

SPOUSE'S NAME - TYPED OR PRINTED

_____

OPTIONEE'S NAME - TYPED OR PRINTED

EXHIBIT C

FORMFACTOR, INC.

2002 EQUITY INCENTIVE PLAN

FORMFACTOR, INC.

2002 EMPLOYEE STOCK PURCHASE PLAN

As adopted April 18, 2002 and
as amended May 23, 2003

1. ESTABLISHMENT OF PLAN. FormFactor, Inc. (the "COMPANY") proposes to grant options for purchase of the Company's Common Stock to eligible employees of the Company and its Participating Subsidiaries (as hereinafter defined) pursuant to this Employee Stock Purchase Plan (this "PLAN"). For purposes of this Plan, "PARENT CORPORATION" and "SUBSIDIARY" shall have the same meanings as "parent corporation" and "subsidiary corporation" in Sections 424(e) and 424(f), respectively, of the Internal Revenue Code of 1986, as amended (the "CODE"). "PARTICIPATING SUBSIDIARIES" are Parent Corporations or Subsidiaries that the Board of Directors of the Company (the "BOARD") designates from time to time as corporations that shall participate in this Plan. The Company intends this Plan to qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments to or replacements of such Section), and this Plan shall be so construed. Any term not expressly defined in this Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. A total of 1,500,000 shares of the Company's Common Stock is reserved for issuance under this Plan. In addition, on each January 1, the aggregate number of shares of the Company's Common Stock reserved for issuance under the Plan shall be increased automatically by a number of shares equal to 1% of the total number of outstanding shares of the Company Common Stock on the immediately preceding December 31; provided, that the Board or the Committee may in its sole discretion reduce the amount of the increase in any particular year; and, provided further, that the aggregate number of shares issued over the term of this Plan shall not exceed 20,000,000 shares. Such number shall be subject to adjustments effected in accordance with Section 14 of this Plan.

2. PURPOSE. The purpose of this Plan is to provide eligible employees of the Company and Participating Subsidiaries with a convenient means of acquiring an equity interest in the Company through payroll deductions, to enhance such employees' sense of participation in the affairs of the Company and Participating Subsidiaries, and to provide an incentive for continued employment.

3. ADMINISTRATION. This Plan shall be administered by the Compensation Committee of the Board (the "COMMITTEE"). Subject to the provisions of this Plan and the limitations of Section 423 of the Code or any successor provision in the Code, all questions of interpretation or application of this Plan shall be determined by the Committee and its decisions shall be final and binding upon all participants. Members of the Committee shall receive no compensation for their services in connection with the administration of this Plan, other than standard fees as established from time to time by the Board for services rendered by Board members serving on Board committees. All expenses incurred in connection with the administration of this Plan shall be paid by the Company.

4. ELIGIBILITY. Any employee of the Company or the Participating Subsidiaries is eligible to participate in an Offering Period (as hereinafter defined) under this Plan except the following:

(a) employees who are not employed by the Company or a Participating Subsidiary prior to the beginning of such Offering Period or prior to such other time period as specified by the Committee, except that employees who are employed on the Effective Date of the Registration Statement filed by the Company with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended (the "SECURITIES ACT") registering the initial public offering of the Company's Common Stock shall be eligible to participate in the first Offering Period under the Plan;

(b) employees who are customarily employed for twenty (20) hours or less per week;

(c) employees who are customarily employed for five (5) months or less in a calendar year;

(d) employees who, together with any other person whose stock would be attributed to such employee pursuant to Section 424(d) of the Code, own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its Participating Subsidiaries or who, as a result of being granted an option under this Plan with respect to such Offering Period, would own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its Participating Subsidiaries; and

(e) individuals who provide services to the Company or any of its Participating Subsidiaries as independent contractors who are reclassified as common law employees for any reason except for federal income and employment tax purposes.

5. OFFERING DATES. The offering periods of this Plan (each, an "OFFERING PERIOD") shall be of twenty-four (24) months duration commencing on February 1 and August 1 of each year and ending on January 31 and July 31 of each year; provided, however, that the first such Offering Period shall commence on the date on which the registration statement filed by the Company with the SEC under the Securities Act registering the initial public offering of the Company's Common Stock is declared effective by the SEC (the "FIRST OFFERING DATE") and shall end on July 31, 2005 (the "FIRST OFFERING PERIOD"). Each Offering Period shall consist of four (4) six month purchase periods (individually, a "PURCHASE PERIOD") during which payroll deductions of the participants are accumulated under this Plan. The First Offering Period shall consist of no more than five and no fewer than three Purchase Periods, any of which may be greater or less than six months as determined by the Committee. The first business day of each Offering Period is referred to as the "OFFERING DATE". The last business day of each Purchase Period is referred to as the "PURCHASE DATE". The Committee shall have the power to change the Offering Dates, the Purchase Dates and the duration of Offering Periods or Purchase Periods without stockholder approval if such change is announced prior to the relevant Offering Period or prior to such other time period as specified by the Committee.

6. PARTICIPATION IN THIS PLAN. Eligible employees may become participants in an Offering Period under this Plan on the Offering Date after satisfying the eligibility requirements by delivering a subscription agreement to the Company prior to such Offering Date, or such other time period as specified by the Committee; provided, however, that all eligible employees employed on or before the First Offering Date will be automatically enrolled in the First Offering Period. Notwithstanding the foregoing, (i) an eligible employee may elect to decrease the number of shares of Common Stock that such employee would otherwise be permitted to purchase pursuant to Section 7 below for the First Offering Period and/or purchase shares of Common Stock for the First Offering Period through payroll deductions by delivering a subscription agreement to the Company within thirty (30) days following the First Offering Date after the filing of an effective registration statement pursuant to Form S-8 and (ii) the Committee may set a later time for filing the subscription agreement authorizing payroll deductions for all eligible employees with respect to a given Offering Period. Except as provided above with respect to the First Offering Period, an eligible employee who does not deliver a subscription agreement to the Company after becoming eligible to participate in an Offering Period shall not participate in that Offering Period or any subsequent Offering Period unless such employee enrolls in this Plan by filing a subscription agreement with the Company prior to such Offering Period, or such other time period as specified by the Committee. Once an employee becomes a participant in an Offering Period by filing a subscription agreement, such employee will automatically participate in the Offering Period commencing immediately following the last day of the prior Offering Period unless the employee withdraws or is deemed to withdraw from this Plan or terminates further participation in the Offering Period as set forth in Section 11 below. Such participant is not required to file any additional subscription agreement in order to continue participation in this Plan.

7. GRANT OF OPTION ON ENROLLMENT. Enrollment by an eligible employee in this Plan with respect to an Offering Period will constitute the grant (as of the Offering Date) by the Company to such employee of an option to purchase on the Purchase Date up to that number of shares of Common Stock of the Company determined by a fraction, the numerator of which is the amount accumulated in such employee's payroll deduction account during such Purchase Period and the denominator of which is the lower of (i) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Offering Date (but in no event less than the par value of a

share of the Company's Common Stock), or (ii) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Purchase Date (but in no event less than the par value of a share of the Company's Common Stock), provided, however, that for each Purchase Period within the First Offering Period the numerator shall be fifteen percent (15%) of the eligible employee's compensation for such Purchase Period and PROVIDED, FURTHER, that the number of shares of the Company's Common Stock subject to any option granted pursuant to this Plan shall not exceed the lesser of (x) the maximum number of shares set by the Committee pursuant to Section 10(c) below with respect to the applicable Purchase Date, or (y) the maximum number of shares which may be purchased pursuant to Section 10(b) below with respect to the applicable Purchase Date. The fair market value of a share of the Company's Common Stock shall be determined as provided in Section 8 below.

8. PURCHASE PRICE. The purchase price per share at which a share of Common Stock will be sold in any Offering Period shall be eighty-five percent (85%) of the lesser of:

(a) The fair market value on the Offering Date; or

(b) The fair market value on the Purchase Date.

The term "FAIR MARKET VALUE" means, as of any date, the value of a share of the Company's Common Stock determined as follows:

(a) if such Common Stock is then quoted on the Nasdaq National Market, its closing price on the Nasdaq National Market on the date of determination as reported in The Wall Street Journal;

(b) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in The Wall Street Journal; or

(c) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in The Wall Street Journal.

Notwithstanding the foregoing, for purposes of the First Offering Date, fair market value shall be the price per share at which shares of the Company's Common Stock are initially offered for sale to the public by the Company's underwriters in the initial public offering of the Company's Common Stock pursuant to a registration statement filed with the SEC under the Securities Act.

9. PAYMENT OF PURCHASE PRICE; CHANGES IN PAYROLL DEDUCTIONS; ISSUANCE OF SHARES.

(a) The purchase price of the shares is accumulated by regular payroll deductions made during each Offering Period, PROVIDED, HOWEVER, that for the First Offering Period the purchase price of the shares shall be paid by the eligible employee in cash on each Purchase Date within the First Offering Period unless the eligible employee elects to purchase such shares through payroll deductions after the filing of an effective Form S-8 registration statement pursuant to the second sentence of Section 6 above within thirty (30) days following the First Offering Period. The deductions are made as a percentage of the participant's compensation in one percent (1%) increments not less than one percent (1%), nor greater than fifteen percent (15%) or such lower limit set by the Committee. Compensation shall mean all W-2 cash compensation, including, but not limited to, base salary, wages, commissions, overtime, shift premiums, plus draws against commissions, provided, however, that for purposes of determining a participant's compensation, any election by such participant to reduce his or her regular cash remuneration under Sections 125 or 401(k) of the Code shall be treated as if the participant did not make such election. Payroll deductions shall commence on the first payday of the Offering Period and shall continue to the end of the Offering Period unless sooner altered or terminated as provided in this Plan.

(b) A participant may increase or decrease the rate of payroll deductions during an Offering Period by filing with the Company a new authorization for payroll deductions, in which case the new rate shall

become effective for the next payroll period commencing after the Company's receipt of the authorization and shall continue for the remainder of the Offering Period unless changed as described below. Such change in the rate of payroll deductions may be made at any time during an Offering Period, but not more than one (1) change may be made effective during any Purchase Period. A participant may increase or decrease the rate of payroll deductions for any subsequent Offering Period by filing with the Company a new authorization for payroll deductions prior to the beginning of such Offering Period, or such other time period as specified by the Committee.

(c) A participant may reduce his or her payroll deduction percentage to zero during an Offering Period by filing with the Company a request for cessation of payroll deductions. Such reduction shall be effective beginning with the next payroll period after the Company's receipt of the request and no further payroll deductions will be made for the duration of the Offering Period. Payroll deductions credited to the participant's account prior to the effective date of the request shall be used to purchase shares of Common Stock of the Company in accordance with Section (e) below. A participant may not resume making payroll deductions during the Offering Period in which he or she reduced his or her payroll deductions to zero.

(d) All payroll deductions made for a participant are credited to his or her account under this Plan and are deposited with the general funds of the Company. No interest accrues on the payroll deductions. All payroll deductions received or held by the Company may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

(e) On each Purchase Date, so long as this Plan remains in effect and provided that the participant has not submitted a signed and completed withdrawal form before that date which notifies the Company that the participant wishes to withdraw from that Offering Period under this Plan and have all payroll deductions accumulated in the account maintained on behalf of the participant as of that date returned to the participant, the Company shall apply the funds then in the participant's account to the purchase of whole shares of Common Stock reserved under the option granted to such participant with respect to the Offering Period to the extent that such option is exercisable on the Purchase Date. The purchase price per share shall be as specified in Section 8 of this Plan. Any cash remaining in a participant's account after such purchase of shares shall be refunded to such participant in cash, without interest; provided, however that any amount remaining in such participant's account on a Purchase Date which is less than the amount necessary to purchase a full share of Common Stock of the Company shall be carried forward, without interest, into the next Purchase Period or Offering Period, as the case may be. In the event that this Plan has been oversubscribed, all funds not used to purchase shares on the Purchase Date shall be returned to the participant, without interest. No Common Stock shall be purchased on a Purchase Date on behalf of any employee whose participation in this Plan has terminated prior to such Purchase Date.

(f) As promptly as practicable after the Purchase Date, the Company shall issue shares for the participant's benefit representing the shares purchased upon exercise of his or her option.

(g) During a participant's lifetime, his or her option to purchase shares hereunder is exercisable only by him or her. The participant will have no interest or voting right in shares covered by his or her option until such option has been exercised.

10. LIMITATIONS ON SHARES TO BE PURCHASED.

(a) No participant shall be entitled to purchase stock under this Plan at a rate which, when aggregated with his or her rights to purchase stock under all other employee stock purchase plans of the Company or any Subsidiary, exceeds $25,000 in fair market value, determined as of the Offering Date (or such other limit as may be imposed by the Code) for each calendar year in which the employee participates in this Plan. The Company shall automatically suspend the payroll deductions of any participant as necessary to enforce such limit provided that when the Company automatically resumes such payroll deductions, the Company must apply the rate in effect immediately prior to such suspension.

(b) No more than two hundred percent (200%) of the number of shares determined by using eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Offering Date as the denominator may be purchased by a participant on any single Purchase Date.

(c) No participant shall be entitled to purchase more than the Maximum Share Amount (as defined below) on any single Purchase Date. Prior to the commencement of any Offering Period or prior to such time period as specified by the Committee, the Committee may, in its sole discretion, set a maximum number of shares which may be purchased by any employee at any single Purchase Date (hereinafter the "MAXIMUM SHARE AMOUNT"). Until otherwise determined by the Committee, there shall be no Maximum Share Amount. In no event shall the Maximum Share Amount exceed the amounts permitted under Section 10(b) above. If a new Maximum Share Amount is set, then all participants must be notified of such Maximum Share Amount prior to the commencement of the next Offering Period. The Maximum Share Amount shall continue to apply with respect to all succeeding Purchase Dates and Offering Periods unless revised by the Committee as set forth above.

(d) If the number of shares to be purchased on a Purchase Date by all employees participating in this Plan exceeds the number of shares then available for issuance under this Plan, then the Company will make a pro rata allocation of the remaining shares in as uniform a manner as shall be reasonably practicable and as the Committee shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares to be purchased under a participant's option to each participant affected.

(e) Any payroll deductions accumulated in a participant's account which are not used to purchase stock due to the limitations in this Section 10 shall be returned to the participant as soon as practicable after the end of the applicable Purchase Period, without interest.

11. WITHDRAWAL.

(a) Each participant may withdraw from an Offering Period under this Plan by signing and delivering to the Company a written notice to that effect on a form provided for such purpose. Such withdrawal may be elected at any time prior to the end of an Offering Period, or such other time period as specified by the Committee.

(b) Upon withdrawal from this Plan, the accumulated payroll deductions shall be returned to the withdrawn participant, without interest, and his or her interest in this Plan shall terminate. In the event a participant voluntarily elects to withdraw from this Plan, he or she may not resume his or her participation in this Plan during the same Offering Period, but he or she may participate in any Offering Period under this Plan which commences on a date subsequent to such withdrawal by filing a new authorization for payroll deductions in the same manner as set forth in Section 6 above for initial participation in this Plan.

(c) If the Fair Market Value on the first day of the current Offering Period in which a participant is enrolled is higher than the Fair Market Value on the first day of any subsequent Offering Period, the Company will automatically enroll such participant in the subsequent Offering Period. Any funds accumulated in a participant's account prior to the first day of such subsequent Offering Period will be applied to the purchase of shares on the Purchase Date immediately prior to the first day of such subsequent Offering Period, if any.

12. TERMINATION OF EMPLOYMENT. Termination of a participant's employment for any reason, including retirement, death or the failure of a participant to remain an eligible employee of the Company or of a Participating Subsidiary, immediately terminates his or her participation in this Plan. In such event, the payroll deductions credited to the participant's account will be returned to him or her or, in the case of his or her death, to his or her legal representative, without interest. For purposes of this Section 12, an employee will not be deemed to have terminated employment or failed to remain in the continuous employ of the Company or of a Participating Subsidiary in the case of sick leave, military leave, or any other leave of absence approved by the Board; provided that such leave is for a period of not more than ninety (90) days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

13. RETURN OF PAYROLL DEDUCTIONS. In the event a participant's interest in this Plan is terminated by withdrawal, termination of employment or otherwise, or in the event this Plan is terminated by the Board, the Company shall deliver to the participant all payroll deductions credited to such participant's account. No interest shall accrue on the payroll deductions of a participant in this Plan.

14. CAPITAL CHANGES. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each option under this Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under this Plan but have not yet been placed under option (collectively, the "RESERVES"), as well as the price per share of Common Stock covered by each option under this Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of Common Stock of the Company resulting from a stock split or the payment of a stock dividend (but only on the Common Stock) or any other increase or decrease in the number of issued and outstanding shares of Common Stock effected without receipt of any consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration". Such adjustment shall be made by the Committee, whose determination shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

In the event of the proposed dissolution or liquidation of the Company, the Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Committee. The Committee may, in the exercise of its sole discretion in such instances, declare that this Plan shall terminate as of a date fixed by the Committee and give each participant the right to purchase shares under this Plan prior to such termination. In the event of (i) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the options under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all participants), (ii) a merger in which the Company is the surviving corporation but after which the stockholders of the Company immediately prior to such merger (other than any stockholder that merges, or which owns or controls another corporation that merges, with the Company in such merger) cease to own their shares or other equity interest in the Company, (iii) the sale of all or substantially all of the assets of the Company or (iv) the acquisition, sale, or transfer of more than 50% of the outstanding shares of the Company by tender offer or similar transaction, the Plan will continue with regard to Offering Periods that commenced prior to the closing of the proposed transaction and shares will be purchased based on the Fair Market Value of the surviving corporation's stock on each Purchase Date, unless otherwise provided by the Committee.

The Committee may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock, or in the event of the Company being consolidated with or merged into any other corporation.

15. NONASSIGNABILITY. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under this Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 22 below) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be void and without effect.

16. REPORTS. Individual accounts will be maintained for each participant in this Plan. Each participant shall receive promptly after the end of each Purchase Period a report of his or her account setting forth the total payroll deductions accumulated, the number of shares purchased, the per share price thereof and the remaining cash balance, if any, carried forward to the next Purchase Period or Offering Period, as the case may be.

17. NOTICE OF DISPOSITION. Each participant shall notify the Company in writing if the participant disposes of any of the shares purchased in any Offering Period pursuant to this Plan if such disposition occurs within two (2) years from the Offering Date or within one (1) year from the Purchase Date on which such shares were purchased (the "NOTICE PERIOD"). The Company may, at any time during the Notice Period, place a legend or legends on any certificate representing shares acquired pursuant to this Plan requesting the Company's transfer agent to notify the Company of any transfer of the shares. The obligation of the participant to provide such notice shall continue notwithstanding the placement of any such legend on the certificates.

18. NO RIGHTS TO CONTINUED EMPLOYMENT. Neither this Plan nor the grant of any option hereunder shall confer any right on any employee to remain in the employ of the Company or any Participating Subsidiary, or restrict the right of the Company or any Participating Subsidiary to terminate such employee's employment.

19. EQUAL RIGHTS AND PRIVILEGES. All eligible employees shall have equal rights and privileges with respect to this Plan so that this Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 or any successor provision of the Code and the related regulations. Any provision of this Plan which is inconsistent with Section 423 or any successor provision of the Code shall, without further act or amendment by the Company, the Committee or the Board, be reformed to comply with the requirements of Section 423. This Section 19 shall take precedence over all other provisions in this Plan.

20. NOTICES. All notices or other communications by a participant to the Company under or in connection with this Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. TERM; STOCKHOLDER APPROVAL. After this Plan is adopted by the Board, this Plan will become effective on the First Offering Date (as defined above). This Plan shall be approved by the stockholders of the Company, in any manner permitted by applicable corporate law, within twelve (12) months before or after the date this Plan is adopted by the Board. No purchase of shares pursuant to this Plan shall occur prior to such stockholder approval. This Plan shall continue until the earlier to occur of (a) termination of this Plan by the Board (which termination may be effected by the Board at any time), (b) issuance of all of the shares of Common Stock reserved for issuance under this Plan, or (c) ten (10) years from the adoption of this Plan by the Board.

22. DESIGNATION OF BENEFICIARY.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under this Plan in the event of such participant's death subsequent to the end of an Purchase Period but prior to delivery to him of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under this Plan in the event of such participant's death prior to a Purchase Date.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under this Plan who is living at the time of such participant's death, the Company shall deliver such shares or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

23. CONDITIONS UPON ISSUANCE OF SHARES; LIMITATION ON SALE OF SHARES. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or automated quotation system upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

24. APPLICABLE LAW. The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the State of California.

25. AMENDMENT OR TERMINATION OF THIS PLAN. The Board may at any time amend, terminate or extend the term of this Plan, except that any such termination cannot affect options previously granted under this Plan, nor may any amendment make any change in an option previously granted which would adversely affect the right of any participant, nor may any amendment be made without approval of the stockholders of the Company obtained in accordance with Section 21 above within twelve (12) months of the adoption of such amendment (or earlier if required by Section 21) if such amendment would:

(a) increase the number of shares that may be issued under this Plan; or

(b) change the designation of the employees (or class of employees) eligible for participation in this Plan.

Notwithstanding the foregoing, the Board may make such amendments to the Plan as the Board determines to be advisable, if the continuation of the Plan or any Offering Period would result in financial accounting treatment for the Plan that is different from the financial accounting treatment in effect on the date this Plan is adopted by the Board.

EXHIBIT 10.08

CONFIDENTIAL TREATMENT REQUESTED

FORMFACTOR KEY MANAGEMENT BONUS PLAN

I. PURPOSE

To further the success of FormFactor (hereinafter referred to as the Company) by enabling the Company to be competitive with the rest of the industry in attracting and retaining key talent and to provide an incentive, in addition to base salary compensation, to those key professionals of the Company who will have a substantial opportunity to influence achievement of major corporate objectives and subsequent Company growth. This will 1) more closely associate the personal interests of such key professionals with Company interests, 2) encourage such key professionals to continue as employees of the Company; and 3) position FormFactor as a company that provides better-than-market rewards for better-than-market performance.

II. DETERMINATION OF BONUS PAYMENT

Actual bonus award amounts are based on a combination of specific percentage achievement of corporate objectives and specific percentage achievement of personal objectives. Percentage participation rates are established for each individual based on level of responsibility and scope of work in the organization. Specific bonus target percentages will be established for each plan year.

III. CORPORATE OBJECTIVES

Due to the economic climate and lack of visibility when establishing the 2002 Operating Plan, the company established an Operating Plan for the first half of 2002 only. The company will complete a second half Operating Plan prior to the commencement of the second half of FY2002. As a result of establishing two half-year operating plans for FY2002, the company will establish two sets of indicators to measure the achievement of the corporate objectives, one set for the first half of 2002 and one set for the second half of 2002.

Attachment A lists the indicators used to measure achievement of the corporate objectives component for the first half current year plan.

Each objective has equal weight. The minimum threshold equals 80% of the target (i.e., no payment for that indicator unless 80% of the target is reached.) The maximum threshold equals 200% of the target (i.e., for any single indicator, no more than 200% of the bonus target amount will be paid).

IV. PERSONAL OBJECTIVES

Participants will work with their Managers to identify three to five personal objectives to be used as achievement indicators for each individual participating in the Plan. These objectives should be critical to the success of the individual and should tie into the

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overall Corporate business priorities. The applicable Senior Vice President must approve each individual's personal objectives. The personal objectives component will constitute a pre-determined percentage of the total award depending upon the degree of each participant's actual achievement of personal goals as determined by the appropriate Senior Vice President.

Each participant's manager will determine whether the participant will have one set of personal objectives for FY2002 or two sets of objectives, one for the first half of FY2002 and a separate set for the second half.

V. ALLOCATION OF INCENTIVE BONUS

A. DEFINITIONS:

1. CAF = Corporate Achievement Factor defined as the average of the percentage achievement of the three corporate objectives (with a minimum of 80% and a maximum of 200% for each objective achieved; if the percentage achievement is less than 80% for a corporate objective, it counts as zero in computing the CAF):

Percentage of Bookings Target achieved = %
Percentage of Net Sales Target achieved = %
Percentage of Operating Margin Target achieved = _____ %

Total = %

$$CAF = \frac{\text{Total}}{3}$$

2. PPS = Participant's Proportional Share (%) defined as:

Participant's Bonus % x (CAF x # * * * % + Participant's Personal Objectives Achievement x # * * * %)

percentage see Attachment A

3. PIB = Participant's Incentive Bonus defined as: (example)

Participant's Individual Base Salary x PPS = PERSONAL INCENTIVE BONUS (subject to Override calculation)

B. EXAMPLE ONLY:

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* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

Director-BU at $ * * * base with * * * % bonus % and personal objectives achievement of 89%. HYPOTHETICAL

	AOP	RESULT	ACHIEVEMENT %	CAF
Bookings	$ * * *	$ 69.3M	* * * %	
Net Sales	$ * * *	$ 75.0M	* * * %	* * * %
Operating Margin	$ * * *	$ 1.1M	* * * %	

PPS = (* * * %) X (* * * % x * * * % + 89% X * * * %)
(* * * %) X (* * * % + * * * %) = * * * %

PIB = $* * * X * * * % = $* * * .- = PERSONAL INCENTIVE BONUS

VI. DEFINITION OF BASE PAY

An individual's eligible gross earnings for the Plan Year (exclusive of overtime, shift premiums, car allowance, bonuses, etc.) will be used in calculating the bonus payment.

For the 2001 Plan Year the 10% reduction in salary for the third and fourth quarters will not be factored into the base pay.

VII. PLAN YEAR

The Plan Year nets from December 30, 2001- December 28, 2002.

VIII. MISCELLANEOUS PROVISIONS

A. ADMINISTRATION

The Chairman of the Board of Directors and the Board Compensation Committee shall have full power and authority to administer and interpret the plan and to adopt such rules and regulations consistent with the terms of the Plan as they deem necessary or advisable to carry out the provisions of the Plan. The CEO/President may appoint an Administrator of the Plan and delegate to such Administrator power to administer and interpret the Plan as to such matters as the CEO/President may deem necessary.

B. TERMINATION OF EMPLOYMENT

In order to be eligible for the bonus, an employee must be employed with FormFactor on the date payouts for the designated plan year occur. If prior to the end of the award period a participant's employment terminates by way of retirement, normal retirement date, death, or total and permanent disability (as determined under the

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Company's Long-Term Disability Plan), and the participant would have been entitled to the payment of the award if his/her employment had not so terminated, payment of the award shall be pro-rated based on the number of months of the award period during which the participant was an employee. If a participant's employment terminates by reason of death, payment of the award shall be made to the person(s) designated as the participant's beneficiary under the FormFactor incorporated Retirement Plan, and if there is none, to the participant's estate.

C. SALE OF COMPANY

If the Company is sold, or if the Company is a party to a merger or consolidation in which it is not the surviving company, all awards will be deemed to have been earned at 100% of the target value for the current year and will be paid to the applicable participant at that point.

D. TRANSFER OF RIGHTS

The rights and interests of a participant under the Plan may not be assigned or transferred except by will and the laws of descent or distribution.

E. RIGHT TO EMPLOYMENT

Participation in the Plan shall not confer on any employee the right to continued employment in the same or any other capacity.

F. RIGHTS TO PLAN

No employee or other person shall have any claim or right to be granted an award under the Plan, nor shall participation in the Plan in one year grant any right to participate in the Plan in any subsequent year.

G. WITHHOLDING

The Company shall have the right to deduct from all awards paid under the Plan any federal, state, local, or foreign taxes required by law to be withheld with respect to such awards.

H. UNALLOCATED FUNDS

Monies that are unallocated due to the personal objectives not being satisfactorily accomplished, as determined by the President, will remain part of the Company's operating funds.

I. AMENDMENT AND TERMINATION

The Board of Directors may amend or suspend the Plan, in whole or in part, at any time with respect to the current or any subsequent Plan year.

ATTACHMENT A

FY2002 MANAGEMENT BONUS PLAN MATRIX

Title/Responsibility	Target % Corporate	Target % Personal
CEO	100	0
Senior Vice-President	80	20
Vice-President-Corp.	* * *	* * *
Vice-President-B.U.	* * *	* * *
Vice-President-Tech. L.C.	* * *	* * *
Director - BU	* * *	* * *
Director - Tech. I.C.	* * *	* * *

FY2002 CORPORATE BONUS PLAN TARGETS

BOOKINGS: $ * * *

NET SALES: $ * * *

OPERATING MARGIN: $ * * *

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FORMFACTOR
BONUS PLAN CALCULATIONS
2001

DEPARTMENT	PARTICIPANT	ANNUAL SALARY	BONUS %	PAYOUT FOR MONTHS	TARGET BONUS	TARGET % CORP.	TARGET % PERSONAL	ACHIEVEMENT % CORP.	ACHIEVEMENT % PERSONAL	BONUS PAYMENT CORP.	BONUS PAYMENT PERSONAL	TOTAL
R&D												
1000	Ben Eldridge	200,000	40	12	80,000	80%	20%	96.5%	100%	61,760	16,000	77,760
1005	Carl Reynolds	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
1005	Gaetan Mathieu	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
1005	Ravindra Shenoy	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
1005	Treliant Fang	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
1020	Chuck Miller	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
1040	Thomas Watson	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
1040	Alec Madsen	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
1120	Nick Sporck	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
1120	Roy Henson	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
1085	Stuart Merkadeau	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
1085	Kenneth Burraston	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
S&M												
3010	Mark Brandemuehl	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
3010	Kevin Crowley	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
2025	Stefan Zschiegner	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
G&A												
4055	Igor Khandros	240,000	50	12	120,000	100%	0%	96.5%	100%	115,800	0	115,800
4060	Jens Meyerhoff	200,000	40	12	80,000	80%	20%	96.5%	100%	61,760	16,000	77,500
4060	Mike Ludwig	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
4060	Mark Brown	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
4080	Norm Donovan	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
5075	Mark Zeni	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
4065	Elizabeth Lamb	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
OPERATIONS												
5095	Harrold Rust	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
5085	Tom Dozier	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
9100	Yvonne Hobbs	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
5115	Larry Levi	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
	NORTH AMERICAN TOTAL				* * *					* * *	* * *	* * *
	AVG.			* * *	* * *							* * *
	NON-US EMPLOYEES											
	Hatsukano san	243,750	40	12	97,500	80%	20%	96.5%	71%	75,270	13,845	89,115
	Imai Nobuo	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
	Kawashimo	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
	INTERNATIONAL TOTAL				* * *					* * *	* * *	* * *
	AVG.				* * *							* * *
	TOTAL COMPANY				* * *					* * *	* * *	* * *
	AVG.				* * *							* * *
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EXHIBIT 10.08.1
CONFIDENTIAL TREATMENT REQUESTED

FORMFACTOR, INC.

KEY MANAGEMENT BONUS PLAN

(2003)

I. PURPOSE

To further the success of FormFactor, Inc. (hereinafter referred to as the "COMPANY") by enabling the Company to be competitive with the rest of the industry in attracting and retaining key talent and to provide an incentive, in addition to base salary compensation, to those key professionals of the Company who will have a substantial opportunity to influence achievement of major corporate objectives and subsequent Company growth. This will 1) more closely associate the personal interests of such key professionals with Company interests, 2) encourage such key professionals to continue as employees of the Company; and 3) position the Company as a company that provides better-than-market rewards for better-than-market performance.

II. DETERMINATION OF BONUS PAYMENT

Actual bonus award amounts are based on a combination of specific percentage achievement of corporate objectives and specific percentage achievement of personal objectives. Percentage participation rates are established for each individual based on level of responsibility and scope of work in the organization. Specific bonus target percentages will be established for each plan year.

III. CORPORATE OBJECTIVES

Due to the economic climate when establishing the 2003 Operating Plan, the Company established an Operating Plan permitting it to address separately the first and second halves of its fiscal year 2003 ("FY2003"). As a result of establishing two half-year operating plans for FY2003, the Company will establish two sets of indicators to measure the achievement of the corporate objectives, one set for the first half of 2003 and one set for the second half of 2003.

Attachment A lists the indicators used to measure achievement of the corporate objectives component for the first half FY2003 plan.

Each objective has equal weight (1/3). The minimum threshold equals 80% of the target (i.e., no payment for that indicator unless 80% of the target is reached.) The maximum threshold equals 200% of the target (i.e., for any single indicator, no more than 200% of the bonus target amount will be paid).

IV. PERSONAL OBJECTIVES

Participants will work with their Managers to identify three to five personal objectives to be used as achievement indicators for each individual participating in the Plan. These objectives should be critical to the success of the individual and should tie into the

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overall Company business priorities. The applicable Senior Vice President (or higher) must approve each individual's personal objectives. The personal objectives component will constitute a pre-determined percentage of the total award depending upon the degree of each participant's actual achievement of personal goals as determined by the appropriate Senior Vice President (or higher).

Each participant's manager will determine whether the participant will have one set of personal objectives for FY2003 or two sets of objectives, one for the first half of FY2003 and a separate set for the second half.

V. ALLOCATION OF INCENTIVE BONUS

A. DEFINITIONS:

1. CAF = Corporate Achievement Factor defined as the average of the percentage achievement of the three corporate objectives (with a minimum of 80% and a maximum of 200% for each objective achieved; if the percentage achievement is less than 80% for a corporate objective, it counts as zero in computing the CAF):

Percentage of Bookings Target achieved	=	%
Percentage of Net Sales Target achieved	=	%
Percentage of Operating Margin Target achieved	= _____	%
Total	=	%

$$CAF = \frac{\text{Total}}{3}$$

2. PPS = Participant's Proportional Share (%) defined as:

Participant's Bonus % x (CAF x # * * *% Participant's Personal Objectives Achievement x # * * *%)

percentage see Attachment A

3. PIB = Participant's Incentive Bonus defined as: (example)

Participant's Individual Base Salary x PPS = PERSONAL INCENTIVE BONUS (subject to Override calculation)

B. EXAMPLE ONLY:

Director-BU at $* * * base with * * *% bonus % and personal objectives achievement of 89%. HYPOTHETICAL

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	AOP	Result	Achievement%	CAF
Bookings	$* * *	$64.3M	* * *%	
Net Sales	$* * *	$75.0M	* * *%	* * *%
Operating Margin	$* * *	$ 1.1M	* * *%	

PPS = (* * *%) X (* * * % x * * *% + 89% X * * *%)
(* * *%) X (* * *% + * * *%) = * * *%

PIB = $* * * X * * *% = $* * *.- = PERSONAL INCENTIVE BONUS

VI. DEFINITION OF BASE PAY

An individual's eligible gross earnings for the Plan Year (exclusive of overtime, shift premiums, car allowance, bonuses, etc.) will be used in calculating the bonus payment.

VII. PLAN YEAR

The Plan Year nets from December 29, 2002 - December 27, 2003.

VIII. MISCELLANEOUS PROVISIONS

A. ADMINISTRATION

The Chairman of the Board of Directors and the Board Compensation Committee shall have full power and authority to administer and interpret the plan and to adopt such rules and regulations consistent with the terms of the Plan as they deem necessary or advisable to carry out the provisions of the Plan. The CEO/President may appoint an Administrator of the Plan and delegate to such Administrator power to administer and interpret the Plan as to such matters as the CEO/President may deem necessary.

B. TERMINATION OF EMPLOYMENT

In order to be eligible for the bonus, an employee must be employed with the Company on the date payouts for the designated plan year occur. If prior to the end of the award period a participant's employment terminates by way of retirement, normal retirement date, death, or total and permanent disability (as determined under the Company's Long- Term Disability Plan), and the participant would have been entitled to the payment of the award if his/her employment had not so terminated, payment of the award shall be pro-rated based on the number of months of the award period during which the participant was an employee. If a participant's employment terminates by reason of death, payment of the award shall be made to the person(s) designated as the participant's beneficiary under the Company incorporated Retirement Plan, and if there is none, to the participant's estate.

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C. SALE OF COMPANY

If the Company is sold, or if the Company is a party to a merger or consolidation in which it is not the surviving company, all awards will be deemed to have been earned at 100% of the target value for the current year and will be paid to the applicable participant at that point.

D. TRANSFER OF RIGHTS

The rights and interests of a participant under the Plan may not be assigned or transferred except by will and the laws of descent or distribution.

E. RIGHT TO EMPLOYMENT

Participation in the Plan shall not confer on any employee the right to continued employment in the same or any other capacity.

F. RIGHTS TO PLAN

No employee or other person shall have any claim or right to be granted an award under the Plan, nor shall participation in the Plan in one year grant any right to participate in the Plan in any subsequent year.

G. WITHHOLDING

The Company shall have the right to deduct from all awards paid under the Plan any federal, state, local, or foreign taxes required by law to be withheld with respect to such awards.

H. UNALLOCATED FUNDS

Monies that are unallocated due to the personal objectives not being satisfactorily accomplished, as determined by the President, will remain part of the Company's operating funds.

I. AMENDMENT AND TERMINATION

The Board of Directors may amend or suspend the Plan, in whole or in part, at any time with respect to the current or any subsequent Plan year.

ATTACHMENT A

FY2003 MANAGEMENT BONUS PLAN MATRIX

Title/Responsibility	Target % Corporate	Target % Personal
CEO	100	0
Senior Vice-President	80	20
Vice-President-Corp.	* * *	* * *
Vice-President-B.U.	* * *	* * *
Vice-President-Tech. L.C.	* * *	* * *
Director - BU	* * *	* * *
Director - Tech. I.C.	* * *	* * *

FIRST HALF FY2003 CORPORATE BONUS PLAN TARGETS

BOOKINGS:	$* * *
NET SALES:	$* * *
OPERATING MARGIN:	$* * *

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*** Confidential treatment has been requested for portions of this exhibit. The copy filed herewith has been marked to indicate the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

EXHIBIT 10.08.2
CONFIDENTIAL TREATMENT REQUESTED

2002 1H FORMFACTOR, INC. DIRECT SALES INCENTIVE PLAN
Rev 1.0

TERM: December 30, 2001 through June 29, 2002.

DEFINITIONS:

- - TARGETED COMMISSION PLAN (TC). The amount of compensation (aka "Commissions") due to the individual sales person when 100% of the target booking plan and MBO's are achieved.

- - TARGET BOOKINGS (TB). (aka "Quota") The amount of bookings that must be achieved to receive the target bonus.

- - TARGET BOOKINGS COMPONENT (TC-B): The portion of the Target commission plan allocated to the bookings quota achieved.

- - TARGET MBO COMPONENT (TC-M): The portion of the Target commission plan allocated to the MBO achieved

- - RATE PER DOLLAR BOOKED. The percentage of commission earned per dollar of booking achieved.

- - INCENTIVE RATE (IR): The percentage of the sales person's base salary used to calculate the TC.

DIRECT SALES INCENTIVE PLAN

The incentive plan is structured to pay 100% of a set commission based on the following guidelines:

1. The targeted commission (TC) is separated into a bookings component and an MBO component. The bookings component (TC-B) is ***% of the targeted commission plan and the MBO component (TC-M) is ***% of the TC.

2. As 0-***% of the TB is achieved, a total of ***% of the TC-B will be paid to the respective sales person.

3. The last ***% of the TB achieved will result in ***% of the targeted bookings component plan being paid to the respective sales person.

4. There will be no cap on this incentive plan. For instances where the TC or TB is exceeded, the following will apply:

   - The same rate per dollar booked as the last ***% of the target income will be applied to all bookings achieved in excess of the TB.

5. The Direct Sales Incentive Plan is split into two 1/2 year plans. There will be separate TB set for each 1/2 year time period and separate MBOs for each 1/2 year time period.

6. The VP of Worldwide Sales shall set the target bookings plan for each region and each individual sales person. These plans shall be published no later than 30 days after the beginning of the 1st and 3rd quarters.

7. By mutual agreement with the VP of Worldwide Sales, each sales person will be assigned ***-*** MBOs for each 1/2 year. Each MBO will be weighted. Upon approval by the VP of Worldwide Sales, MBOs may be modified prior to the end of the 1/2 year period.

8. The VP of Worldwide Sales, with approval from the VP of Finance, shall set the Incentive Rate (IR) for each sales person. The IR shall be percentage of the sales person's base salary and the rate shall be determined by the level of responsibility of the sales person and the size of the region. The standard IR are:

   a. VP - 75%

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b. Director/Regional Manager - ***%

c. Sr. Account Manager/Major Account Manager: ***-***%

d. Account Manager: ***-***%

9. Changes to the Sales Compensation Plan shall be approved by the VP of Worldwide Sales and the VP of Finance.

Example: Joe H. Salesman's base salary is $*** and his IR is ***%. For the 1/2 year, Joe's TC is $*** ($***Kx***%x1/2 year). The TC-B is ***% or $***. The TC-M is ***% or $***. The TB for the 1/2 year for Joe H. Salesman is $***M. ***% of the TB is $***M and Joe will earn ***% of the TC-B or $*** once he achieves the $***M in bookings (rate paid = ***% on every dollar booked up to $***M). Once Joe exceeds $***M in bookings, he will be paid at a rate of ***% (***%*$***/***%*$***M) with no cap on the bookings. Joe will also have *** MBOs assigned for the half year. Each was weighted a ***%. For each MBO achieved, Joe will earn $*** (***% x $***).

In this example, Joe books $*** and achieves *** of *** of his MBOs. Joe will be paid in total:

$***M * *** = $***
$***M * *** = $***
$***M * *** = $***
*** MBO * $*** = $***
Total Incentive Due for 1/2 Year = $***

ADDITIONAL GUIDELINES:

1. All direct sales personnel are eligible for the commission plan and will be paid on a pro rata basis as of the date of their employment.

2. Commissions shall be paid within 45 days of the close of the quarter.

3. Territories and assigned accounts will determine the basis of the targeted commission plan.

4. The VP of Worldwide Sales will determine how much credit is awarded for account managers with multinational accounts and split commissions as part of their respective responsibilities.

5. Any receivables not collected will be debooked from the salespersons totals in the following period.

/s/ Peter Mathews	/s/ Michael Ludwig
- ----------	----------
Submitted & Approved	Approved
Peter Mathews	Michael Ludwig
VP Worldwide Sales	VP Finance

- -----
* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

EXHIBIT 10.08.3
CONFIDENTIAL TREATMENT REQUESTED

2002 2H FORMFACTOR, INC. DIRECT SALES INCENTIVE PLAN
Rev 1.0

TERM: June 30, 2002 through December 28, 2002.

DEFINITIONS:

- - TARGETED COMMISSION PLAN (TC). The amount of compensation (aka "Commissions") due to the individual sales person when 100% of the target booking plan and MBO's are achieved.

- - TARGET BOOKINGS (TB). (aka "Quota") The amount of bookings that must be achieved to receive the target bonus.

- - TARGET BOOKINGS COMPONENT (TC-B): The portion of the Target commission plan allocated to the bookings quota achieved.

- - TARGET MBO COMPONENT (TC-M): The portion of the Target commission plan allocated to the MBO achieved

- - RATE PER DOLLAR BOOKED. The percentage of commission earned per dollar of booking achieved.

- - INCENTIVE RATE (IR): The percentage of the sales person's base salary used to calculate the TC.

DIRECT SALES INCENTIVE PLAN

The incentive plan is structured to pay 100% of a set commission based on the following guidelines:

1. The targeted commission (TC) is separated into a bookings component and an MBO component. The bookings component (TC-B) is ***% of the targeted commission plan and the MBO component (TC-M) is ***% of the TC.

2. As 0-***% of the TB is achieved, a total of ***% of the TC-B will be paid to the respective sales person.

3. The last ***% of the TB achieved will result in ***% of the targeted bookings component plan being paid to the respective sales person.

4. There will be no cap on this incentive plan. For instances where the TC or TB is exceeded, the following will apply:

   - The same rate per dollar booked as the last ***% of the target income will be applied to all bookings achieved in excess of the TB.

5. The Direct Sales Incentive Plan is split into two 1/2 year plans. There will be separate TB set for each 1/2 year time period and separate MBOs for each 1/2 year time period.

6. The VP of Worldwide Sales shall set the target bookings plan for each region and each individual sales person. These plans shall be published no later than 30 days after the beginning of the 1st and 3rd quarters.

7. By mutual agreement with the VP of Worldwide Sales, each sales person will be assigned ***-*** MBOs for each 1/2 year. Each MBO will be weighted. Upon approval by the VP of Worldwide Sales, MBOs may be modified prior to the end of the 1/2 year period.

8. The VP of Worldwide Sales, with approval from the VP of Finance, shall set the Incentive Rate (IR) for each sales person. The IR shall be percentage of the sales person's base salary and the rate shall be determined by the level of responsibility of the sales person and the size of the region. The standard IR are:

   a. VP - 85%

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b. Director/Regional Manager - ***-***%

c. Sr. Account Manager/Major Account Manager: ***-***%

d. Account Manager: ***-***%

9. Changes to the Sales Compensation Plan shall be approved by the VP of Worldwide Sales and the VP of Finance.

Example: Joe H. Salesman's base salary is $*** and his IR is ***%. For the 1/2 year, Joe's TC is $*** ($***Kx***%x1/2 year). The TC-B is ***% or $***. The TC-M is ***% or $***. The TB for the 1/2 year for Joe H. Salesman is $***M. ***% of the TB is $***M and Joe will earn ***% of the TC-B or $*** once he achieves the $***M in bookings (rate paid = ***% on every dollar booked up to $***M). Once Joe exceeds $***M in bookings, he will be paid at a rate of ***% (***%*$***/***%*$***M) with no cap on the bookings. Joe will also have *** MBOs assigned for the half year. Each was weighted a ***%. For each MBO achieved, Joe will earn $*** (***% x $***).

In this example, Joe books $*** and achieves *** of *** of his MBOs. Joe will be paid in total:

$***M * *** = $***
$***M * *** = $***
$***M * *** = $***
*** MBO * $*** = $***
Total Incentive Due for 1/2 Year = $***

ADDITIONAL GUIDELINES:

1. All direct sales personnel are eligible for the commission plan and will be paid on a pro rata basis as of the date of their employment.

2. Commissions shall be paid within 45 days of the close of the quarter.

3. Territories and assigned accounts will determine the basis of the targeted commission plan.

4. The VP of Worldwide Sales will determine how much credit is awarded for account managers with multinational accounts and split commissions as part of their respective responsibilities.

5. Any receivables not collected will be debooked from the salespersons totals in the following period.

/s/ Peter Mathews
- -------------------------
Submitted & Approved
Peter Mathews
VP Worldwide Sales

/s/ Michael Ludwig

Approved
Michael Ludwig
VP Finance

- -----------------
* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

EXHIBIT 10.08.4
CONFIDENTIAL TREATMENT REQUESTED

2003 1H FORMFACTOR, INC. DIRECT SALES INCENTIVE PLAN
Rev 2.0

TERM: December 29, 2002 through June 28, 2003.

DEFINITIONS:

- - TARGETED COMMISSION PLAN (TC). The amount of compensation (aka "Commissions") due to the individual sales person when 100% of the target booking plan and MBO's are achieved.

- - TARGET BOOKINGS (TB). (aka "Quota") The amount of bookings that must be achieved to receive the target bonus.

- - TARGET BOOKINGS COMPONENT (TC-B): The portion of the Target commission plan allocated to the bookings quota achieved.

- - TARGET MBO COMPONENT (TC-M): The portion of the Target commission plan allocated to the MBO achieved

- - RATE PER DOLLAR BOOKED. The percentage of commission earned per dollar of booking achieved.

- - INCENTIVE RATE (IR): The percentage of the sales person's base salary used to calculate the TC.

DIRECT SALES INCENTIVE PLAN

The incentive plan is structured to pay 100% of a set commission based on the following guidelines:

1. The targeted commission (TC) is separated into a bookings component and an MBO component. The bookings component (TC-B) is ***% of the targeted commission plan and the MBO component (TC-M) is ***% of the TC.

2. As 0-***% of the TB is achieved, a total of ***% of the TC-B will be paid to the respective sales person.

3. The last ***% of the TB achieved will result in ***% of the targeted bookings component plan being paid to the respective sales person.

4. There will be no cap on this incentive plan. For instances where the TC or TB is exceeded, the following will apply:

   - The same rate per dollar booked as the last ***% of the target income will be applied to all bookings achieved in excess of the TB.

5. The Direct Sales Incentive Plan is split into two 1/2 year plans. There will be separate TB set for each 1/2 year time period and separate MBOs for each 1/2 year time period.

6. The VP of Worldwide Sales shall set the target bookings plan for each region and each individual sales person. These plans shall be published no later than 30 days after the beginning of the 1st and 3rd quarters.

7. By mutual agreement with the VP of Worldwide Sales, each sales person will be assigned ***-*** MBOs for each 1/2 year. Each MBO will be weighted. Upon approval by the VP of Worldwide Sales, MBOs may be modified prior to the end of the 1/2 year period.

8. The VP of Worldwide Sales, with approval from the VP of Finance, shall set the Incentive Rate (IR) for each sales person. The IR shall be percentage of the sales person's base salary and the rate shall be determined by the level of responsibility of the sales person and the size of the region. The standard IR are:

   a. VP - 85%

- ------------
* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

b. Director/Regional Manager - ***-***%

c. Sr. Account Manager/Major Account Manager: ***-***%

d. Account Manager: ***-***%

9. Changes to the Sales Compensation Plan shall be approved by the VP of Worldwide Sales and the VP of Finance.

Example: Joe H. Salesman's base salary is $*** and his IR is ***%. For the 1/2 year, Joe's TC is $*** ($***Kx***%x1/2 year). The TC-B is ***% or $***. The TC-M is ***% or $***. The TB for the 1/2 year for Joe H. Salesman is $***M. ***% of the TB is $***M and Joe will earn ***% of the TC-B or $*** once he achieves the $***M in bookings (rate paid = ***% on every dollar booked up to $***M). Once Joe exceeds $***M in bookings, he will be paid at a rate of ***% (***%*$***/***%*$***M) with no cap on the bookings. Joe will also have *** MBOs assigned for the half year. Each was weighted a ***%. For each MBO achieved, Joe will earn $*** (***% x $***).

In this example, Joe books $*** and achieves *** of *** of his MBOs. Joe will be paid in total:

$***M * *** = $***
$***M * *** = $***
$***M * *** = $***
*** MBO * $*** = $***
Total Incentive Due for 1/2 Year = $***

ADDITIONAL GUIDELINES:

1. All direct sales personnel are eligible for the commission plan and will be paid on a pro rata basis as of the date of their employment.

2. Commissions shall be paid within 45 days of the close of the quarter.

3. Territories and assigned accounts will determine the basis of the targeted commission plan.

4. The VP of Worldwide Sales will determine how much credit is awarded for account managers with multinational accounts and split commissions as part of their respective responsibilities.

5. Any receivables not collected will be debooked from the salespersons totals in the following period.

/s/ Peter Mathews	/s/ Michael Ludwig
Submitted & Approved	Approved
Peter Mathews	Michael Ludwig
VP Worldwide Sales	VP Finance

- ------------
* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

EXHIBIT 10.18
CONFIDENTIAL TREATMENT REQUESTED

PACIFIC CORPORATE CENTER LEASE

by and between

GREENVILLE INVESTORS, L.P.,
a California limited partnership

as "LANDLORD"

and

FORMFACTOR, INC.,
a Delaware corporation

as "TENANT"

Dated as of May 3, 2001

(Bldg. 1)

FormFactor Bldg 1 Lease

05/03/01

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately.

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SCHEDULE OF EXHIBITS

PACIFIC CORPORATE CENTER LEASE

THIS LEASE is made and entered into as of May 3, 2001, by and between GREENVILLE INVESTORS, L.P. a California limited partnership (hereafter, "LANDLORD"), and FORMFACTOR, INC., a Delaware corporation (hereafter "TENANT").

A. DEMISE. Landlord hereby leases, demises and lets to Tenant, and Tenant hereby leases, hires and takes from Landlord those certain premises ("the PREMISES") described as follows:

That commercial building consisting of approximately 44,748 square feet of gross leasable area ("GLA"), designated as Building 1 on the Site Plan attached hereto as Exhibit A ("BUILDING 1") and to be constructed by Landlord and Tenant in accordance with Article 8 and Exhibit C hereof. The exterior walls, roof, air space above and the area beneath Building 1 are not demised and their use together with the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through the Premises in locations that will not materially interfere with Tenant's use and serving other parts of Building 1, are hereby reserved to the Landlord, except as otherwise expressly provided herein.

The Premises is located at 7005 South Front Road, Livermore, California on the real property more particularly described and shown on Exhibit B as Parcel 1 ("PARCEL 1") and is a part of Pacific Corporate Center, a common interest development being developed by Landlord in the City of Livermore, Alameda County, California, (the "CENTER") which includes eight (8) parcels of real property together with all buildings and other structures and improvements to be constructed thereon and is more particularly described and shown on Exhibit B, the Center Legal Description and Parcel Map. All parcels of real property in the Center owned (in whole or in part) by Landlord from time to time are hereinafter collectively referred to as "LANDLORD'S PARCELS".

B. TERMS, COVENANTS AND CONDITIONS. The parties agree that this Lease is made upon the following terms, covenants and conditions:

ARTICLE 1. BASIC TERMS

In all instances, the basic terms set forth in this Article 1 are subject to the main body of the Lease in general and those Articles noted in parentheses in particular.

(a)	TERM: Ten (10) Lease Years; four (4) options of 5 years each	(Art.2; Addendum A-2.1)
(b)	INITIAL MONTHLY BASE RENT: $58,172.40 ($1.30 psf of GLA)	(Art 3)
(c)	LETTERS OF CREDIT:	(Art. 5)
	One in the amount of $698,069 (12 months Base Rent)	
	One in the amount of $349,034 (6 months Base Rent)	
(d)	TENANT'S INITIAL ESTIMATED MONTHLY OPERATING EXPENSE PAYMENT: $3,759.00	(Art.10)
(e)	TENANT'S INITIAL ESTIMATED MONTHLY TAX PAYMENT: $7,876.00	
(f)	COMMENCEMENT DATE: The Delivery Date as defined in Article 8	(Art. 2)
(g)	USE: Office and light manufacturing services, "clean rooms", and related lawful purposes	(Art. 4)
(h)	TENANT IMPROVEMENT ALLOWANCE: $1,118,700 ($25.00 psf of GLA)	(Exhibit C)
(i)	ARTICLES AND EXHIBITS: This Lease consists of Articles 1 through 32, Addendum to Lease, and Exhibits A, B, C, D, E, F, F-1, G, H, I and J attached hereto, which are by this reference incorporated herein.	

ARTICLE 2. TERM

2.1 The Term of this Lease shall commence on the date ("COMMENCEMENT DATE") that the Premises are delivered to Tenant in the Delivery Condition (as defined in Article 8), and shall terminate at midnight on the last day of the month which is the end of the number of Lease Years set forth in Paragraph 1(a) after the Commencement Date as defined in Paragraph 1(f).

See Addendum A-2.1.

2.2 The first "LEASE YEAR" shall begin on the Commencement Date and shall expire on the last day of the month, twelve (12) full calendar months next following the Commencement Date. If the Commencement Date occurs on the first day of the calendar month, then the first Lease Year shall end on the day immediately preceding the first anniversary of the Commencement Date. Subsequent Lease Years shall be each consecutive twelve (12) calendar month period thereafter.

2.3 Promptly after the Commencement Date, Landlord and Tenant shall execute a written acknowledgment of the Commencement Date in the form attached hereto as Exhibit J.

ARTICLE 3. BASE RENT

3.1 Tenant agrees to pay without offset or deduction of any kind (except as expressly set forth in this Lease) the initial monthly Base Rent amount set forth in Paragraph 1(b) above and as adjusted pursuant to Section 3.2, in advance at Landlord's address on the first day of each calendar month during the Term of this Lease. Tenant's obligation to pay Base Rent shall commence on the Commencement Date. If the Commencement Date is not the first day of a calendar month, the first month's rent shall be prorated on the basis of a thirty (30) day month, and shall be payable with the first full monthly rental due hereunder. Landlord's address shall be as set forth below its signature, or as from time to time designated by Landlord to Tenant in writing.

3.2 As of the date of commencement of the second Lease Year and as of the commencement of each Lease Year during the initial Lease Term thereafter, the monthly Base Rent shall increase by four percent (4%) over the monthly Base Rent in effect immediately preceding the applicable adjustment date.

ARTICLE 4. USE OF PREMISES

4.1 The Premises shall be used and occupied only for the purposes described in Paragraph 1(g) above and for other uses permitted within the light industrial zoning district within which the Premises is located, unless prohibited by the Declaration, and provided Tenant's use otherwise complies with all applicable governmental requirements. Tenant shall not use the Premises for any other purposes without Landlord's prior written consent, which consent may be withheld in Landlord's sole discretion. Without limiting the foregoing, it is acknowledged that Tenant may elect to use a portion of the Premises for an employee cafeteria and kitchen facilities provided that all construction of such facilities is performed in accordance with the provisions of Section 9.5 hereof.

4.2 Tenant shall not do or permit to be done in or about the Premises anything which is illegal or unlawful; or which will cause cancellation of any insurance on the building of which the Premises are a part. Tenant shall not obstruct or interfere with the rights of any other tenants and occupants of the Center or their invitees, nor injure them, nor operate the Premises in a manner which unreasonably disturbs other tenants in the use of their premises in the Center. Tenant shall not cause, maintain or permit any nuisance on or about the Premises. Tenant shall not use nor permit the use of the Premises or any part thereof as living quarters.

4.3 Tenant acknowledges that although Landlord has permitted Tenant the use of Premises for the purpose described in this Article, neither Landlord nor any agent of Landlord has made any representation or warranty to Tenant with respect to the suitability of the present zoning of the Building for such use. Tenant assumes all responsibility for investigating the suitability of the zoning for its use and for compliance with all other laws and regulations governing such use.

4.4 Tenant shall have use of, and access to, the Premises twenty four (24) hours per day, three hundred sixty five (365) days per year, subject to the provisions of this Lease and ordinances and regulations of applicable governmental agencies.

4.5 Tenant agrees that, at its own cost and expense, it will comply with and conform to all Legal Requirements (as defined in Section 4.7(d) below) in any way relating to the use or occupancy of the Premises throughout the entire term of this Lease; including the Livermore Fire Code requiring all tenants to obtain fire extinguishers for the Premises and maintain them so that they are fully charged and operational at all times and inspected annually. Further, subject to Landlord's obligation to deliver the Premises to Tenant in the Delivery Condition, Tenant shall thereafter be obligated at its own cost and expense to take such action and perform such work (including structural alterations) to the Premises, as required to comply with the Americans with Disabilities Act ("ADA") and other applicable handicapped access codes. Further, if, and to the extent, due to Tenant's use of, or alterations to, or work performed by Tenant in the Premises, changes, alterations or improvements to Building 1, Parcel 1 or other portions of the Center are required by any governmental agency, Tenant shall be responsible for the costs of such changes, alterations and improvements. Notwithstanding the foregoing, nothing contained herein shall limit or affect any representations, warranties or covenants of Landlord or any of Landlord's contractors with respect to any work performed pursuant to Article 8 or Exhibit C. Except to the extent of Tenant's compliance obligations set forth above, Landlord shall be obligated to comply with all Legal Requirements, including, without limitation, the ADA and other applicable handicapped access codes, with respect to all portions of Parcel 1 outside of Building 1, subject to reimbursement as specifically set forth in this Lease and further subject to the terms of the Declaration.

4.6 Tenant shall place no loads upon the floors, walls, ceilings or roof of the Building in excess of the maximum design load of Building 1.

4.7 HAZARDOUS SUBSTANCES:

A. HAZARDOUS SUBSTANCE; REPORTABLE USES: As used herein, the terms "HAZARDOUS SUBSTANCE" and "HS " shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment, or the Premises; (ii) regulated or monitored by any governmental authority; or (iii) a basis for potential liability of Landlord to any governmental agency or third party under any applicable statute. Hazardous Substance shall include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products or by-products thereof. "REPORTABLE USE" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and (iii) the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable HS Requirements (as defined in subparagraph (F) hereinafter) require that a notice be given to persons entering or occupying the Premises or neighboring properties.

B. TENANT'S USE OF HAZARDOUS SUBSTANCES:

(1) Notice of Use of Hazardous Substances. Tenant may, without Landlord's prior consent, but upon notice to Landlord and in compliance with all Applicable HS Requirements and all other provisions of this Section 4.7, at Tenant's sole cost and expense, (i) operate a business on the Premises which is substantially similar to the business it is operating at its facilities in Livermore, California as of the Commencement Date, i.e. research, development, design, manufacture (including with clean room facilities), and sale of electronic components and devices relating to the testing and packaging of semiconductor devices and to probing technology, and to wafer-level burn-in and packaging and chip scale packaging of semiconductor devices ("PERMITTED USE"), and (ii) use any ordinary and customary Hazardous Substances reasonably required to be used by Tenant in the normal course of the Permitted Use.

(2) Tenant's HS Use. Tenant shall have the right to use the Hazardous Substances listed on Exhibit F without Landlord's prior consent and without the requirement of additional insurance. Tenant shall use all such Hazardous Substances in accordance with all Applicable HS Requirements and in compliance with all other

provisions of this Section 4.7, specifically including the notice requirements and restrictions set forth below. Tenant's use of the substances referenced in Exhibit F may be referred to herein as "TENANT'S HS USE".

(3) Control of HS Hazards.

(a) Plans for Designated HS Areas. Tenant shall use, store, or otherwise manage HS only in areas designated by Tenant for such use ("DESIGNATED HS AREAS"). Prior to commencement of Tenant's HS Use on the Premises, and prior to modification of or addition to any Designated HS Areas, Tenant shall provide Landlord with written plans (such as architectural or engineering plans) regarding the design and planned operation of the Designated HS Areas. The plans shall include descriptions of the types and quantities of HS that will be used, stored, or otherwise managed in Designated HS Areas, the maximum design capacity of each Designated HS Area and descriptions of all equipment and structures that will be used to control environmental, health, and safety hazards associated with the HS, including, for example, secondary containment structures and air pollution control equipment. Tenant will also provide copies of all permits and other approvals required to be obtained to lawfully operate Tenant's business and Hazardous Substances on the Premises.

(b) Commencement of Tenant's HS Use. Tenant shall not commence Tenant's HS Use until Landlord has approved the plans submitted by Tenant pursuant to subparagraph (a) above, which approval shall not be unreasonably withheld or delayed. Landlord may (but without any obligation to do so) condition its approval upon Tenant's taking such measures as Landlord, at its reasonable discretion, deems necessary to protect itself, the public, the Premises, the Center, and the environment against damage, contamination, injury, and/or liability, including, but not limited to the installation (and, at Landlord's option, removal on or before Lease expiration or earlier termination) of reasonably necessary protective equipment, structures, or modifications to the Premises. Tenant's plans shall be deemed approved, however, if Tenant's plans comply with the requirements of subparagraph (a) and the minimum standards set forth on Exhibit F-1.

(c) Modification/Expansion of Designated HS Areas. Tenant shall not modify or add to the Designated HS Areas until Landlord has approved the plans submitted by Tenant pursuant to subparagraph (a) above for the modification or addition, which approval shall not be unreasonably withheld or delayed. Tenant's plans shall be deemed approved, however, if Tenant's plans for the modification or addition comply with the requirements of subparagraph (a) and the minimum standards set forth on Exhibit F-1.

(4) Notice of HS Use. Tenant shall notify the Landlord in writing at least five (5) business days prior to any of the following:

(a) the date Tenant first commences Tenant's HS Use on the Premises; or

(b) the date Tenant commences to store or use any Hazardous Substance which is not listed on Exhibit F (a "NEW HS"), if the quantity of the New Hazardous Substance exceeds either (i) 55 gallons of liquid, 500 pounds of solid, 200 cubic feet of compressed gas at standard temperature and pressure, or (ii) the applicable Threshold Planning Quantity listed in 40 CFR Part 355.

After receipt of a notice pursuant to subparagraph (b) above, if Tenant's use of the New HS in the Premises is materially more dangerous than Tenant's use of Hazardous Substances listed on Exhibit F, Landlord may require Tenant to obtain a policy of pollution liability insurance in a commercially reasonable form and amounts and with such insurer as may be reasonably approved by Landlord. For any insurance policy requirement, Landlord shall be named as an additional insured under such policy. Tenant shall deliver a certificate of any insurance required prior to bringing the Hazardous Substance into the Premises and Tenant shall maintain such insurance in effect until the closure requirements set forth in subparagraph (H) below have been satisfied or the New HS use ceases.

(5) Contents of New HS Notice. Each notice of a New HS shall specify the names and quantities of any New HS that Tenant intends to place on the Premises which exceeds the quantities described in subparagraph 4(b) above together with a copy of all permits and other approvals required to be obtained to lawfully use, store, or otherwise manage the New HS on the Premises. Tenant's notice shall also provide Landlord with information regarding the Designated HS Areas where the New HS will be used, stored, or otherwise managed, the

new aggregate quantities of all Hazardous Substances in Designated HS Areas, and the maximum design capacities of the Designated HS Areas (if changed or modified from the Designated HS Areas as initially approved consistent pursuant to Section 4.7(B)(3)(b) above).

(6) Increase in HS Quantities. If, at any time during the Term, Tenant intends to increase the quantity of existing Hazardous Substances and/or add New HS such that the aggregate quantity of all Hazardous Substances in any Designated HS Area on the Premises exceeds the maximum design capacity for the Designated HS Area, Tenant shall not increase quantities or add New HS until Landlord has consented to the modification of or addition to the Designated HS Areas, pursuant to Section 4.7(B)(3)(c) above.

(7) Restrictions on Quantity or Use of HS. Notwithstanding any other provision of this Lease, but subject to Tenant's right to engage in a Permitted Use consistent with the standards of Exhibit F-1, Tenant's use of Hazardous Substances at the Premises is subject to the following restrictions:

(a) Tenant shall not, without Landlord's consent, use any HS in quantities such that Tenant would be subject to requirements for preparation of a Risk Management Plan, as set forth in 40 CFR Part 68 (as such requirements exist on the date of execution of this Lease without regard to amendments which may be enacted after the date hereof) and such HS use is materially more dangerous than the HS use presently being carried on by Tenant.

(b) Tenant shall not, without Landlord's consent, use any HS which emits odors unless the odors can be controlled to the extent they are not present at objectionable levels in any areas exterior to the Premises that are accessible to other tenants of the Center or the general public. In the absence of any legal thresholds for identifying objectionable odors, other odor standards may be used, provided they are generally accepted as being scientifically valid.

(c) Tenant shall not, without Landlord's consent, use any HS in a manner that would result in "Significant Emissions". SIGNIFICANT EMISSIONS are defined as air emissions originating from the Premises for which under applicable federal or state law (i) notices or warnings must be given to other occupants of the Center or the general public based upon their proximity to the Building, as opposed to entry therein, or (ii) other occupants of the Center or the general public must receive special training and/or use personal protective equipment.

C. PLANS/REPORTS: Within ten (10) days after Tenant submits the same to any governmental authority, Tenant shall provide Landlord with copies of all hazardous materials business plans, permits and all other plans, reports and correspondence pertaining to storage/management of Hazardous Substances at the Premises, except waste manifests and routine monitoring reports.

D. DUTY TO INFORM LANDLORD: If Tenant knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises or Building or Center, other than as previously permitted or consented to by Landlord or there has been a spill, release or discharge of any Hazardous Substances in the Premises (other than discharges permitted, authorized or otherwise approved by the applicable governmental agencies regulating the same), Tenant shall immediately give Landlord written notice thereof, together with a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action, or proceeding given to, or received from, any governmental authority or third party concerning the presence, spill, release, discharge of, or exposure to, such Hazardous Substance including but not limited to all such documents as may be involved in any Reportable Use involving the Premises. Tenant shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises (including, without limitation, through the plumbing, storm, or sanitary sewer system).

E. INDEMNIFICATION: Tenant shall indemnify, protect, defend and hold Landlord, its agents, employees, lenders, and the Premises and Center, harmless from and against any and all damages, liabilities,

judgments, costs, claims, liens, expenses, penalties, loss of permits and attorneys' and consultants' fees arising out of or involving any Hazardous Substance to the extent brought into the Premises and/or Center by or for Tenant, its employees, agents or contractors. Tenant's obligations under this Section 4.7(E) shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Tenant, and, except as otherwise provided in Section 4.7(G), the cost of investigation (including reasonable consultants' and attorneys' fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by Landlord and Tenant shall release Tenant from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Landlord in writing at the time of such agreement.

F. TENANT'S COMPLIANCE WITH REQUIREMENTS: Tenant shall, at Tenant's sole cost and expense fully, diligently and in a timely manner, comply with all "LEGAL REQUIREMENTS", which term is used in this Lease to mean all laws, rules, regulations, ordinances, directives, covenants, easements and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau, relating in any manner to the Premises or Center (including but not limited to matters pertaining to (i) industrial hygiene, (ii) environmental conditions on, in, under or about the Premises, including soil and groundwater conditions, and (iii) the use, generation, manufacture, production, installation, maintenance, removal, transportation, storage, spill or release of any Hazardous Substance, which foregoing (ii) and (iii) Legal Requirements may be referred to as "APPLICABLE HS REQUIREMENTS"), now in effect or which may hereafter come into effect. Tenant shall, within twenty (20) business days after receipt of Landlord's written request made from time to time, provide Landlord with copies of all documents and information, including but not limited to permits, registrations, manifests, applications, reports and certificates, evidencing Tenant's compliance with all Applicable HS Requirements specified by Landlord, and shall within five (5) business days after receipt, notify Landlord in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving failure by Tenant or the Premises to comply with any Legal Requirements. Tenant shall be obligated to disclose to Landlord which Hazardous Substances are used at the Premises and how such Hazardous Substances are being handled (but in no event shall Tenant be required to disclose information regarding formulations or manufacturing processes or procedures related to such Hazardous Substances) notwithstanding that such information may be proprietary information or a trade secret. Landlord agrees to keep as confidential all such proprietary information delivered to Landlord (including, without limitation, Exhibit F) and which Tenant designates in writing as confidential, provided that Landlord may disclose the same when required by law or in litigation between Landlord and Tenant regarding such information or to Landlord's lenders or to prospective purchasers provided such parties have also agreed to keep the same confidential.

G. COMPLIANCE WITH LAW GOVERNING HAZARDOUS SUBSTANCES: Landlord, Landlord's agents, employees, contractors and designated representatives, and the holders of any mortgages, deeds of trust or ground leases on the Premises ("LENDERS") shall have the right to enter the Premises at any time in case of an emergency, and otherwise at reasonable times (but not more often than annually for inspection of Tenant's "clean room" on the Premises, if any, or more often than quarterly for inspection of other parts of the Premises), and upon no less than 10 days' notice, unless an emergency exists, for the purpose of inspecting the condition of the Premises and for verifying compliance by Tenant with this Lease and all Legal Requirements, and Landlord shall be entitled to employ experts and/or consultants in connection therewith (provided that such experts and/or consultants are not engaged in a business competitive with Tenant, or consult or give advice to any competitor of Tenant listed on Exhibit I) to advise Landlord with respect to Tenant's activities, including but not limited to Tenant's installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance on or from the Premises ("LANDLORD'S CONSULTANTS"). Prior to engaging any Landlord's Consultants, Landlord shall provide Tenant with written notice of the name of the proposed consultant and Tenant shall have five (5) business days to object to the engagement based upon Tenant's reasonable belief that engagement of the particular individual as Landlord's Consultant, and the consequent access to Tenant's facilities and proprietary information and trade secrets, could result in competitive injury to Tenant. Landlord shall not engage with a consultant as to whom Tenant has objected. Tenant shall cooperate with Landlord's Consultants inspecting the Premises, including responding to interviews (for a time period not to exceed four (4) hours for the initial site visit and two (2) hours for site visits thereafter). Landlord's Consultants shall at all times be escorted by Tenant, unless Tenant agrees otherwise. This and all rights to enter except in the event of an emergency are subject to Landlord, Landlord's agents, employees, contractors,

designated representatives, prospective purchasers and/or Lenders, as the case may be, executing Tenant' s standard non-disclosure agreement in the form attached hereto as Exhibit H. The costs and expenses of any such inspections shall be paid by the party requesting same and in no event shall be borne by or passed along to Tenant unless requested by Tenant, subject only to the proceeding sentence. If the inspection is performed due to a violation of Applicable HS Requirements, Tenant shall, upon request, reimburse Landlord or Landlord's Lender, as the case may be, as additional rent, for the costs and expenses of such inspections.

H. CLOSURE REQUIREMENTS: Prior to any termination of the Lease, Tenant, at its sole cost and expense (except as to those costs and expenses arising out of actions undertaken by Landlord or by a third party on behalf of Landlord), shall satisfy the following closure requirements with respect to the Hazardous Substances Tenant has used in the Premises during the Term:

(1) Comply with all applicable federal, state and local closure requirements with respect to Hazardous Substances;

(2) Prepare a closure plan (the "CLOSURE PLAN") that specifies the final disposition of all Hazardous Substances and equipment which may be contaminated with Hazardous Substances; cleaning and decontamination activities, and confirmation sampling (e.g. wipe samples, soil/ground water samples and/or indoor air quality samples, to the extent warranted by the site conditions then existing).

(3) At least sixty (60) days prior to the Lease termination, provide to Landlord a copy of the Closure Plan for review and reasonable approval. Landlord may, after consultation with Tenant, require modification of the Closure Plan to include additional activities, including sampling activities, if the site conditions indicate that there is a reasonable probability that "Significant Residual Contamination" is present. SIGNIFICANT RESIDUAL CONTAMINATION shall mean residual contamination which: (i) exceeds standards or guidance levels typically used by regulatory agencies in California for evaluating potential threats to human health or the environment; or (ii) would result in notification requirements under applicable state law of potential health risks to individuals on the Premises, other tenants of the Center, and/or the general public; or (iii) would result in potential environmental liability to Tenant or Landlord; or (iv) would result in the need for conducting any type of additional decontamination activities prior to leasing the Premises to a new tenant. If Landlord fails to request modification of the Closure Plan within ten (10) business days after its receipt thereof, Tenant's Closure Plan shall be deemed accepted.

(4) Notify Landlord of closure schedule and allow access to Landlord and/or Landlord's Consultants for inspections prior to commencing and following completion of the cleaning/decontamination activities.

(5) Notify Landlord of all sample analysis results, if any. Landlord may require additional closure activities if sampling results disclose Significant Residual Contamination.

(6) Prepare and provide to Landlord closure report documenting closure activities consistent with the Closure Plan and sample results, if any, following completion of all closure activities.

Closure shall be deemed to be complete upon Landlord's reasonable approval of the closure report and, if applicable, Landlord's receipt of a copy of the written closure approval from the local environmental agency with jurisdiction over the Hazardous Substances at the Premises.

I. SURVIVAL OF OBLIGATIONS: Tenant's obligations under this Section 4.7 shall survive the termination of this Lease.

See Addendum A-4.7.

4.8 DECLARATION. Tenant acknowledges and agrees that this Lease shall be subject to and subordinate to a Declaration of Covenants, Conditions and Restrictions which will be recorded prior to the Delivery Date in the Official Records of Alameda County, California, which, together with all amendments from time to time, are collectively referred to as the "DECLARATION". A true and correct copy of the Declaration is attached hereto as

Exhibit G. Tenant agrees to be bound by and comply with all provisions of the Declaration. Upon recordation, Landlord shall deliver a copy of the recorded Declaration to Tenant.

See Addendum A-4.8.

ARTICLE 5. LETTERS OF CREDIT/SECURITY DEPOSIT

5.1 In order to secure the prompt and faithful performance by Tenant of all of the obligations of this Lease to be kept and performed by Tenant, upon execution of this Lease Tenant shall deliver to Landlord unconditional, clean, irrevocable, standby Letters of Credit (the "LETTER OF CREDIT") in the amounts specified in Paragraph 1(c) above.

5.2 Following the occurrence of an Event of Default under this Lease by Tenant, Landlord may (but shall not be required to) use, apply or retain all or any part of said Letters of Credit for the payment of any rent or any other sum in default, or for the payment of any other amount which Landlord may spend or become obligated to spend by reason of the Event of Default by Tenant, or to compensate Landlord for any other loss or damage which Landlord has suffered or may suffer by reason of Tenant's Event of Default. If any portion of said Letters of Credit is so used, applied or retained, prior to the date that the second payment of monthly rent is due after the date of such application, Tenant shall either increase the Letters of Credit to an amount sufficient to restore each to its original sum or pay to Landlord a cash security deposit in the amount which was applied (e.g. if the Landlord uses the Letter of Credit for payment of an overdue installment in March, Tenant shall restore the Letter of Credit amount or pay the required cash deposit to Landlord prior to May 1). Tenant's failure to do so shall constitute an Event of Default of this Lease, and Landlord may, without any further notice, exercise its remedies specified in Article 25 hereof.

5.3 Provided that on the applicable adjustment date no Event of Default exists nor has one occurred during the preceding twelve (12) month period, the Letter of Credit amounts shall be adjusted as follows:

(a) As of the last day of each of the first five (5) Lease Years, the amount of each Letter of Credit shall be reduced by ten percent (10%) of the original amount of such Letter of Credit,

(b) As of the last day of the sixth (6th) Lease Year the amount of each Letter of Credit shall be reduced by twenty-five percent (25%) of the original amount of such Letter of Credit,

(c) As of the first day of the eighth (8th) Lease Year Tenant may substitute for all outstanding Letters of Credit then in effect either a cash security deposit equal to two (2) months of then existing Rent for the Premises or a new Letter of Credit in the amount of two (2) months' Rent. The substitute security shall be retained until the end of the Term. Landlord shall not be required to keep any cash security deposit separate from its general funds and is in no event to be deemed a trustee thereof, and Tenant shall not be entitled to interest on any sums deposited or redeposited under this Article 5 and the same shall be subject to the provisions of Sections 5.2 and 5.5, and

(d) If the requirements for an adjustment are not met on any adjustment date, that date and each subsequent adjustment date (as the same may be deferred pursuant to this subparagraph (d)) shall be deferred on a month-by-month basis until the requirements are satisfied. (For example if the first adjustment date at the end of the fourth Lease Year was deferred for ninety days, all adjustment dates thereafter would also be deferred for ninety (90) days).

(e) Notwithstanding and without limiting or affecting the foregoing, at any time during the Term upon Tenant's written request to Landlord, submitted with evidence reasonably satisfactory to Landlord that Tenant has satisfied the financial criteria set forth below for two (2) consecutive calendar years and provided that no Event of Default then exists nor has one occurred during the twelve (12) month period preceding Tenant's request, Tenant may substitute for all outstanding Letters of Credit then in effect a cash security deposit or new letter of credit equal to four (4) months of the then existing Rent for the Premises. The cash deposit shall be held on the terms set forth in subsection (c) above and as of the eighth (8th) Lease Year shall be subject to reduction as provided in that subsection. Such substitution shall be effective upon written notice to Landlord together with reasonable evidence that the criteria have been satisfied for the required period. The financial criteria referred to above are as follows: (i) Tenant's Net Worth (defined as total assets less total liabilities less unamortized intangible assets less goodwill)

shall be at least $90,000,000, (ii) Tenant's Current Ratio (defined as current assets divided by current liabilities) shall be at least 1.5:1, and (iii) Tenant shall have positive annual earnings before income taxes, depreciation and amortization expenses.

5.4 All Letters of Credit required herein shall be on the following additional terms and conditions:

(a) Letters of Credit shall be payable on sight with the bearer's draft issued by and drawn on a major bank or other financial institution which is defined by ICC Publication 500 as empowered to issue Documentary credits and Standby Letters of Credit (the "ISSUING BANK") of Tenant's selection, subject to Landlord's reasonable approval. Landlord hereby approves Imperial Bank as an acceptable issuing bank. Each Letter of Credit shall state that it shall be payable against sight drafts presented by Landlord, accompanied by Landlord's statement that such drawing is in accordance with the terms and conditions of this Lease; no other document or certification from Landlord shall be required to negotiate the Letter of Credit. Landlord may designate any bank as Landlord's advising bank for collection purposes and any sight drafts for the collection of the Letter of Credit may be presented by the advising bank on Landlord's behalf.

(b) Each Letter of Credit shall be for a term of one (1) year and shall be substantially in the form of Exhibit D attached hereto. The Letter of Credit shall provide for its automatic extension for additional one year periods (subject to any reduction pursuant to Section 5.3 above, if applicable) unless the issuing bank notifies Landlord not less than sixty (60) days prior to its then expiration date that the Letter of Credit will not be extended. However, if the issuing bank notifies Landlord that the Letter of Credit will not be so extended, Landlord shall be entitled to draw against the Letters of Credit in the amount of the entire amount which remains unpaid. The fee for the maintenance of the Letters of Credit shall be at Tenant's sole cost and expense.

(c) Following the occurrence of an Event of Default by Tenant under this Lease, Landlord shall be entitled to draw against the Letters of Credit in the amount required to cure Tenant's Event of Default.

(d) If an Event of Default has occurred and remains uncured, Landlord shall not be required to exhaust its remedies against Tenant before having recourse to the Letters of Credit or to any other form of security held by Landlord or to any other remedy available to Landlord at law or in equity. Notwithstanding anything to the contrary herein, Landlord confirms and agrees that it will draw upon the Letter of Credit for any monetary Event of Default prior to taking any action to terminate the Lease by reason of such Event of Default. If the proceeds of Landlord's draw upon the Letter of Credit satisfies the monetary Event of Default and Tenant restores the Letter of Credit amount or pays a cash security deposit to Landlord as required in Section 5.2 above, Landlord shall have no further right to terminate this Lease by reason of such Event of Default.

(e) Each Letter of Credit shall be transferable. In the event of any sale, assignment or transfer by Landlord of its interest in the Premises or this Lease, Landlord shall have the right to assign or transfer the Letters of Credit to its grantee, assignee or transferee, and thereupon Landlord shall be discharged from any further liability with respect thereto and Tenant shall look solely to such grantee, assignee or transferee for the return of the Letters of Credit. The provisions of the preceding sentence shall likewise apply to any subsequent transferees. The first transfer shall be at no charge to Landlord. Any transfers of the Letters of Credit thereafter shall be at Landlord's expense.

5.5 If Tenant shall have fully satisfied all of its obligations under this Lease, both of the Letters of Credit shall be returned to Tenant within thirty (30) days after the termination of this Lease. If upon the expiration or termination of this Lease Tenant has not satisfied all of its obligations under this Lease, including but not limited to the requirements of Section 4.7 and Article 11 herein regarding Tenant's surrender of the Premises, then Landlord may draw down the Letters of Credit and may apply the amounts drawn toward the costs for the cleaning and/or repair and/or restoration of the Premises or the costs associated with Tenant's failure to perform other obligations. In the event Landlord's interest in this Lease is sold or otherwise terminated, Landlord shall have the right to transfer said Letters of Credit to its successor in interest.

ARTICLE 6. UTILITIES

6.1 Tenant, at its own cost and expense, shall pay for all water, gas, heat, electricity, garbage disposal, sewer charges, telephone, and any other utility or service charge related to its occupancy of the Premises, including but not limited to any hook- up charges. Utilities will be separately metered to the Premises. Tenant acknowledges that all water used with respect to the landscaping on Parcel 1 and the electricity for all outdoor lighting on Parcel 1 will be metered through the water and electrical meters for the Premises and billed directly by Tenant. Tenant will not be responsible for such expenses with respect to any other parcels in the Center.

6.2 Except to the extent arising out of Landlord's negligence or willful misconduct, Landlord shall not be liable in damages, consequential or otherwise, nor shall there be any rent abatement, arising out of any interruption or reduction whatsoever in utility services (i) which is due to fire, accident, strike, governmental authority, acts of God, acts of other tenants or other third parties, or other causes beyond the reasonable control of Landlord or any temporary interruption in such service, and (ii) which is necessary to the making of alterations, repairs, or improvements to the Center, or any part of it (all of which shall be conducted pursuant to Article 9), or (iii) to comply with energy conservation measures mandated by a governmental agency having jurisdiction over the Center.

ARTICLE 7. REAL PROPERTY TAXES

7.1 Tenant shall pay as Additional Rent all "Taxes" (as hereinafter defined) which may be levied, assessed or imposed against or become a lien upon Parcel 1, the tax parcel upon which Building 1 is located, which will be separately assessed. The term "TAXES" shall mean and include real estate taxes, assessments (special or otherwise), including impositions for the purpose of funding special assessment districts, water and sewer rents, rates and charges (including water and sewer charges which are measured by the consumption of the actual user of the item or service for which the charge is made) levies, fees (including license fees) and all other taxes, governmental levies and charges of every kind and nature whatsoever (and whether or not the same presently exist or shall be enacted in the future) which may during the term be levied, assessed, imposed, become a lien upon or due and payable with respect to, out of or for the Parcel 1 or any part thereof, or of any land, building or improvements thereon, or the use, occupancy or possession thereof; and imposed or based upon or measured by the rents receivable by Landlord for the Parcel 1, including gross receipts taxes, business taxes, business and occupation taxes.

"TAXES" shall also include interest on installment payments and all costs and fees (including reasonable attorney's and appraiser's fees) incurred by Landlord in contesting Taxes and negotiating with public authorities as to the same. Taxes shall not include, however, any franchise, estate, inheritance, corporation, transfer, net income, excess profits tax or any assessments levied by the Association pursuant to the Declaration. Association assessments shall be payable pursuant to the provisions of Section 10.4.

7.2 Tenant shall pay the Taxes with respect to any tax fiscal year during the term hereof. Landlord's estimate of Tenant's initial tax payment for Parcel 1 is that amount set forth in Paragraph 1(e) above.

7.3 Commencing with the Commencement Date, Tenant shall pay Landlord monthly, with each payment of monthly Base Rent, the amount computed in accordance with Paragraph 1(e) above as an impound toward the Taxes. Tenant's actual obligation for Taxes shall be determined and computed by Landlord not less often than annually and at the time each such computation is made, Landlord and Tenant shall adjust for any difference between impounded amounts and Tenant's actual share. Tenant shall pay Landlord any deficiency (or Landlord shall pay Tenant any surplus) within thirty (30) days after receipt of Landlord's written statement. At the time of each such computation, Landlord may revise the monthly payment for Taxes set forth in Paragraph 1(e) above by written notification to Tenant. Tenant shall pay its share of Taxes during each year of the Lease Term. Landlord shall furnish Tenant with a copy of the tax bills for the Parcel 1 supporting the amounts charged to Tenant by Landlord.

7.4 If this Lease shall terminate on any date other than the last day of a tax fiscal year, the amount payable by Tenant during the tax fiscal year in which such termination occurs shall be prorated on the basis which

the number of days from the commencement of said tax fiscal year to and including said termination date bears to 365. The obligation of Tenant under this Article 7 shall survive the termination of this Lease.

ARTICLE 8. CONSTRUCTION AND ACCEPTANCE

8.1 Landlord at its sole cost and expense shall construct the "BASE BUILDING" improvements as specified in Exhibit C attached hereto and incorporated by reference herein. Landlord shall also construct certain Tenant Improvements as specified in Exhibit C. Landlord shall provide a Tenant Improvement Allowance in the amount specified in Paragraph 1(h) to be applied to the cost of the Tenant Improvements constructed by Landlord. If the actual cost of such Tenant Improvements exceeds the Tenant Improvement Allowance, Tenant shall pay to Landlord the excess amount in equal monthly installments in advance during the period of Landlord's construction of such improvements, with the first installment payable prior to and as a condition of Landlord's obligation to commence construction of the Tenant Improvements. If the cost is less than the Tenant Improvement Allowance, the balance of the Tenant Improvement Allowance shall be applied to the cost of any Special Tenant Improvements described in Exhibit C, or if none are specified, to the cost of Tenant Improvements under any then existing lease between Landlord and Tenant for other premises in the Center. Landlord agrees to notify Tenant at least thirty (30) days prior to the date Landlord anticipates substantial completion of its construction obligations as set forth in Exhibit C. The "DELIVERY DATE" for the Premises shall be the date upon which (i) Landlord has substantially completed in accordance with Exhibit C the Base Building and the Tenant Improvements to be constructed by Landlord, as evidenced by a written certificate of substantial completion issued by Landlord's architect; (ii) the parking areas on Parcel 1 shall have been substantially completed and all interior roadways designated on the Site Plan which provide ingress and egress to the Premises and to such parking areas shall be paved and accessible from the public roads; and (iii) a certificate of occupancy or temporary certificate of occupancy, as applicable, or reasonably substantially equivalent shall have been issued by the applicable governmental authority if required to permit the Premises to be legally occupied; provided that if such certificate cannot be issued until Tenant has completed any items of Tenant's Work, this requirement shall not be a condition to Landlord's delivery of the Premises. As used herein, "SUBSTANTIAL COMPLETION" shall mean Landlord's Work (as defined in Exhibit C) has been completed, except for minor punch list items which do not interfere with Tenant's ability to complete its improvements. The condition of the Premises in compliance with the requirements set forth in items (i) through (iii) above may sometimes be referred to herein as the "DELIVERY CONDITION."

8.2 Following delivery of the Premises to Tenant in the Delivery Condition, Tenant shall diligently proceed to complete Tenant's Work, including any Special Tenant Improvements and such other work as it may deem necessary for the conduct of its business in the Premises. Prior to commencing Tenant's Work, Tenant shall submit to Landlord for approval plans and specifications prepared by an architect selected by Tenant, which plans shall be subject to Landlord's prior reasonable approval. Once Tenant's plans are approved by Landlord, Tenant's contractors (which shall also be subject to prior reasonable approval by Landlord) shall obtain all necessary permits for the work set forth in the Approved Tenant Plans (the "TENANT'S WORK") and proceed to complete Tenant's Work in compliance with all applicable governmental requirements.

8.3 Within thirty (30) days following Delivery Date, Landlord and Tenant shall mutually prepare a punch list of items to be corrected in the Base Building and other Landlord's Work, including any defects or non-conformance in Landlord' s construction. Landlord and Tenant shall mutually cooperate to prepare such punch list within thirty (30) days following the Delivery Date, and Landlord shall cause its contractors to promptly complete all punch list items. Landlord's Work shall also be under warranty by Landlord's contractors for a period of one (1) year. Landlord hereby assigns to Tenant all warranties and guaranties received by Landlord from its contractors with respect to the Tenant Improvements and Special Tenant Improvements (if any). If Landlord's contractors shall fail to complete any punch list items within the 90-day period following completion of the punchlist, and such failure continues after notice from Tenant and the cure period provided in Article 24, Tenant may at its option (but shall not be obligated to) complete the required work at Landlord's cost. Landlord shall pay to Tenant within thirty (30) days the amount shown on any statement describing the necessary work completed by Tenant accompanied by the invoices for such work.

8.4 Landlord will cause its contractors to complete Landlord's Work with all commercially reasonable diligence and to deliver the Premises within one hundred twenty (120) days after the date that Tenant notifies

Landlord that Tenant has obtained all permits required for construction of the Tenant Improvement Work (the "PERMIT DATE"). If the Delivery Date has not occurred within one hundred eighty days (180) days after the Permit Date, Tenant shall be entitled to a rent credit of one day's Base Rent for each day of Landlord's delay for the first thirty (30) days of delay and a credit of two days' Base Rent for the next thirty (30) days of Landlord's delay. Further, if the Delivery Date has not occurred within two hundred forty (240) days after the Permit Date, Tenant shall have the right as its sole remedy to terminate this Lease without penalty by delivering written notice to Landlord within thirty (30) days thereafter and prior to the date the Delivery Date has occurred. In the event of such termination, Landlord shall return to Tenant all amounts paid to Landlord for the Over-Allowance Amount (as defined in Exhibit C), Tenant's project management fees and the cost of any Tenant Improvements and Special Tenant Improvements (if any) constructed by Tenant in the Premises. All time periods referenced above with respect to delivering the Premises to Tenant shall be extended by the number of days of any delay due to Tenant's Delay (as defined in Exhibit C) and/or Force Majeure (as defined in Section 32.8 hereafter).

8.5 After the Premises has been constructed, Landlord's architect shall measure the gross leasable area of Building 1 and shall certify to Landlord such measurement in writing. The GLA so certified will be deemed to be the GLA of the Premises for all purposes of this Lease. To compute the Premises GLA, Building 1 shall be measured to the drip line. The initial monthly Base Rent, estimated tax and operating expense payments, the Letter of Credit amounts set forth in Article 1 and the Tenant Improvement Allowance were based on an estimated GLA of 44,748 square feet. In the event that the Premises GLA as determined pursuant this Section 8.4 is different from the estimated GLA (which difference shall be certified by Landlord's architect and approved by Tenant), the Base Rent, estimated payments, Letter of Credit and Tenant Improvement Allowance amounts set forth in Article 1 shall be adjusted accordingly.

8.6 In the event that Landlord, at its sole option, permits Tenant to take possession of the Premises prior to the Delivery Date for the purpose of constructing its Tenant Improvements, such possession shall be on all the terms and conditions of this Lease except for payment of Rent, specifically including the insurance and indemnity provisions in Articles 14 and 16. In the event that Landlord notifies Tenant that Tenant's early possession is causing a delay in Landlord's Work, Tenant shall promptly cease its construction activities and cause its contractor to remove its personnel, subcontractors and equipment from Premises until the Delivery Date or earlier date acceptable to Landlord.

ARTICLE 9. REPAIRS AND MAINTENANCE

9.1 Landlord, at its sole cost and expense, shall be responsible for the repair, maintenance and, if necessary, replacement of the structural elements, the roof structure, foundation and the structural integrity of floor slabs of Building 1, provided that Tenant shall pay for the cost of any such repairs to the extent occasioned by the negligent act, omission or willful misconduct of Tenant, its agents, employees, invitees, licensees or contractors, or by the construction of Tenant Improvements by Tenant, but only to the extent such cost is in excess of any proceeds received by Landlord from the insurance for Building 1 maintained by Landlord pursuant to Section 14.2.

9.2 Subject to reimbursement by Tenant as provided in Article 10 hereof, Landlord shall keep and maintain in good repair (including replacement as necessary), the roof covering and the exterior surfaces of the exterior walls and window frames of Building 1 (exclusive of doors, door frames, door checks and other entrances and windows), all Outdoor Areas (defined in Section 10.1) on Parcel 1, all Shared Areas (as defined in the Declaration) for the use of Parcel 1 and all systems (including sewer, gas, electrical and water lines) serving the Premises to the point of connection to Building 1. Tenant shall give Landlord prompt written notice of any damage to the Premises requiring repair by Landlord.

9.3 Except to the extent of Landlord's obligations provided in Sections 9.1 and 9.2 hereof, Tenant shall, at its expense, keep and maintain the Premises and every part thereof in good order, condition and repair, including, without limiting the generality of the foregoing, all equipment or facilities specifically serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, fire hose connections if within the Premises, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights. Notwithstanding the foregoing, Tenant shall not be required to make any such repairs to the extent occasioned by the negligent act or omission or willful

misconduct of Landlord, its agents, employees, or contractors. Tenant shall keep its sewers and drains open and clear to the perimeter of the Premises, and shall keep the hallways and/or sidewalks and common areas adjacent to the Premises clean and free of debris created by Tenant. Tenant shall reimburse Landlord on demand for the cost of damage to the Premises, Building 1 or Landlord's Parcels caused by Tenant or its employees, agents, customers, suppliers, shippers, contractors, or invitees which is in excess of any proceeds received by Landlord from the insurance for Building 1 maintained by Landlord pursuant to Section 14.2. If Tenant shall fail to comply with the foregoing requirements within ten (10) days after notice from Landlord, Landlord may (but shall not be obligated to) effect such maintenance and repair, and the cost thereof together with interest thereon at the Interest Rate (defined below) shall be due and payable as Additional Rent to Landlord within thirty (30) days following receipt of Landlord's written statement of such costs.

See Addendum A-9.3.

9.4 Tenant in keeping the Premises in good order, condition, and repair shall exercise and perform good maintenance practices including obtaining, at its expense, a contract for the repair and maintenance of the air conditioning and heating system, if any, exclusively serving the Premises and provide Landlord with a copy of said contract within thirty (30) days after Tenant takes possession of the Premises. The contract shall be for the benefit of Landlord and Tenant and in a form and placed with a licensed contractor satisfactory to Landlord. Tenant obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair, except to the extent of Landlord's obligations expressly set forth in this Lease.

9.5 Tenant shall not make any exterior or structural alterations, changes or improvements in or to Building 1 or material modifications to any of the Base Building operating systems without first obtaining Landlord's prior written consent (which may be withheld by Landlord in its sole discretion as to exterior alterations, and which shall not be unreasonably withheld or delayed with respect to structural or Base Building system modifications), and all of the same shall be at Tenant's sole cost. Landlord's consent shall not be required for any interior cosmetic alterations or alterations not affecting Base Building exterior, structure or systems as referenced above, or for any alterations, changes, replacements or improvements to any interior nonstructural Special Tenant Improvements or any other elements of Tenant's Work; provided that Tenant shall obtain required permits and comply with all other Legal Requirements and all requirements of Article 8 and Exhibit C regarding construction by Tenant and shall notify Landlord not less than ten (10) days prior to commencing any such alterations to give Landlord an opportunity to post a notice of non-responsibility. Landlord may impose as a condition of its consent (when required) such requirements as Landlord, in its reasonable discretion, may deem necessary, including but not limited to, the requirement that Tenant utilize for such purposes only contractors, materials, mechanics and materialmen approved by Landlord, and that good and sufficient plans and specifications be submitted to Landlord at such times as its consent is requested. Further, Landlord's consent to any alteration which Tenant proposes to make after the Commencement Date shall designate by written notice to Tenant any of the alterations, additions and improvements (collectively, "ALTERATIONS") which Landlord will require Tenant to remove at the expiration or termination of the Lease and those Alterations (if any) which Tenant is not permitted to remove. If Landlord so designates, Tenant shall prior to the expiration of the Term promptly remove the Alterations designated to be removed and repair all damage caused by such removal at its cost and with all due diligence, and shall surrender the Premises with all Alterations which Tenant is required to leave. Unless Landlord designates as a condition to granting its consent to any Alterations that removal by Tenant is required or prohibited, Tenant shall have the right, but not the obligation to remove from the Premises the Alterations for which consent was obtained so long as Tenant promptly repairs any damage resulting from such removal. Except as otherwise expressly provided herein, all Alterations made by Tenant (specifically excluding Tenant's furniture, trade fixtures and equipment) shall become the property of Landlord and a part of the realty and shall be surrendered to Landlord upon the expiration or sooner termination of the Term hereof.

See Addendum A-9.5.

ARTICLE 10. OPERATING AND MAINTENANCE COSTS

10.1 All Common Areas in the Center shall be operated and maintained by the Association pursuant to the Declaration. The term "COMMON AREAS" as used in this Lease shall include all areas in the Center defined as Common Areas in the Declaration. Landlord agrees to operate and maintain or cause to operated and maintained

during the term of this Lease all "Outdoor Areas" on Parcel 1. The term "OUTDOOR AREAS" as used in this Lease shall include all areas on each of Landlord's Parcels which are not Common Areas, or areas covered by buildings ("BUILDING AREAS") and are provided by Landlord for the convenience and exclusive use of tenants of each of Landlord's Parcels, their respective employees, customers, suppliers, shippers, contractors, and invitees.

10.2 The manner and method of operation, maintenance, service and repair of the Common Areas and the expenditures therefore, shall be determined in accordance with the provisions of the Declaration. The manner and method of operation, maintenance, service and repair of the Outdoor Areas shall be determined by Landlord and at minimum shall be comparable to similar projects in the general vicinity of the Center and shall be in accordance with all Legal Requirements. Except as otherwise expressly provided herein, Landlord reserves the right from time to time to make changes in, additions to and deletions from the Outdoor Areas and/or Common Areas including without limitation changes in the location, size, shape and number of driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways and the purposes to which they are devoted. Notwithstanding the foregoing, in no event shall Landlord make or permit any modifications to Landlord's Parcels which materially and adversely affect Tenant's access to or from Parcel 1 as shown on Exhibit A or which would reduce the number of exclusive parking spaces on Parcel 1 available to Tenant, its agents, employees or contractors.

10.3 Tenant agrees to comply with such reasonable rules and regulations as the Association may adopt from time to time for the orderly and proper operation of the Common Areas. Tenant further agrees to comply with and observe all reasonable rules and regulations established by Landlord from time to time for use of the Outdoor Areas on Parcel 1, including, without limitation, the removal, storage and disposal of refuse and rubbish. The initial Rules and Regulations for the Center are attached hereto as Exhibit E. All rules and regulations adopted or amended after the date of this Lease shall be reasonable and non-discriminatory and shall be subject to the restrictions set forth in Section A-4.9 of the Addendum.

10.4 During the Term of this Lease, Tenant shall pay to Landlord, as Additional Rent, at the time and in the manner specified in Section 10.6 below, Tenant's pro rata share of all costs and expenses of every kind and nature paid or incurred by Association and/ or Landlord in operating, policing, protecting, lighting, providing sanitation and sewer and other services to, insuring, repairing, replacing and maintaining in neat, clean, good order and condition, the Common Areas of the Center and all Outdoor Areas on Landlord's Parcels and in operating, insuring and maintaining the Buildings on Landlord's Parcels ("OPERATING AND MAINTENANCE COSTS").

Subject to the exclusions set forth below, operating and maintenance costs shall include, but shall not be limited to, the following: water, gas and electricity to the Common Areas and Outdoor Areas, and security and guard services; salaries and wages (including employment taxes and so called "fringe benefits") or maintenance contracts of all persons and management personnel to the extent engaged in the regular operation, servicing, repair and maintenance, (specifically including the site coordinator and site superintendent, clerical, and on-site and off-site accounting staff), repair and replacement of roofs of Buildings on Landlord's Parcels, painting and cleaning the exterior surfaces of such Buildings, premiums for liability, property damage and Workers' Compensation insurance (which insurance Landlord, at all times during the Lease term, agrees to maintain with respect to Landlord's Parcels); all costs associated with obtaining such insurance or making any claims under such insurance policies, including the cost of any deductible portion payable with respect to claims (subject to subparagraphs (x) and (xxv)); personal property taxes, if any; charges, excises, surcharges, fees or assessments levied by a governmental agency by virtue of the parking facilities furnished; costs and expenses of planting, replanting and relandscaping; trash disposal, if any; lighting, including exterior building lights; utilities; maintenance and repair of utility lines, sewers and fire detection and suppression systems (including the water used in connection with such systems); sweeping, repairing and resurfacing the blacktop surfaces; repainting and restriping; exterior signs and any tenant directories for the Center as a whole, reserves set aside for maintenance and repair, the cost of any environmental inspections; fees for any licenses and/or permits required for operation of the Common Areas and Outdoor Areas, or any part thereof; equipment rental or purchases, supplies, postage, telephone, service agreements, deliveries, promotion, dues and subscriptions, and reasonable legal fees.

The following costs shall be excluded from the operating and maintenance costs payable by Tenant:

(i) the costs of the initial construction of the Center, including the Buildings, roads, parking lots, utility lines and similar improvements shown on Exhibit A;

(ii) debt service (including, without limitation, principal, interest, late fees, prepayment fees, principal, points, impound payments and all other charges) with respect to any financing relating to Landlord's acquisition or initial construction of the Center or any portion thereof or any refinancing of such costs;

(iii) any fees or other amounts payable with respect to any ground lease now or hereafter affecting any portion of the Center;

(iv) any costs, fines or penalties incurred as a result of any violation of laws, rules or regulations by Landlord, its agents, employees or contractors;

(v) the cost of any items for which Landlord is reimbursed (or if Landlord fails to carry the insurance required by Section 14.2, would have been so reimbursed) by insurance proceeds, condemnation awards, other tenants of the Center, or for which Landlord is otherwise actually reimbursed;

(vi) any real estate brokerage commissions or other costs (including, without limitation, finder's fees, legal fees, space planning fees and review and supervision fees) incurred in connection with the sale, leasing or subleasing of any portion of the Center, including the renewal, extension or modification of leases;

(vii) any costs representing amounts paid to an entity or person which is an affiliate of Landlord which is in excess of the amount which would have been paid in the absence of the relationship, including, without limitation, any overhead or profit increment paid to subsidiaries or affiliates of Landlord for goods and/or services to any portion of the Center to the extent in excess of the amount which would be paid to unaffiliated third parties on a competitive basis;

(viii) capital improvements and expenditures shall be amortized over the useful life of the capital item in accordance with GAAP;

(ix) non-cash items, such as deductions for depreciation or obsolescence of any improvements or equipment within or used in connection with the Center, and reserves for future expenditures (except reserves maintained by the Association pursuant to the Declaration);

(x) costs incurred by Landlord for the repair of damage to the Center caused by fire, windstorm, earthquake or other casualty, condemnation or eminent domain; provided that an amount equal to the deductible under Landlord's insurance policy may be included, up to a maximum of $5,000 for property damage and $25,000 for liability insurance (collectively the "EXISTING DEDUCTIBLES"), unless otherwise approved by Tenant, and specifically excluding any earthquake insurance deductible;

(xi) Landlord's general corporate overhead and general administrative expenses (including memberships, travel, recruitment and marketing);

(xii) any compensation or benefits paid to clerks or attendants for parking operations of the Center, including validated parking for any entity unless the revenues, if any, from such operations are used to reduce the operating and maintenance costs;

(xiii) electric power, water or other utility costs for which any tenant or occupant of the Center directly contracts with the local public service company or for which any tenant is separately metered or submetered and pays Landlord directly;

(xiv) penalties, late charges and interest incurred as a result of Landlord's failure or negligence to make

payments and/or to file any returns (including tax or other informational returns) when due, unless due to Tenant's failure to timely pay the Rent hereunder;

(xv) Landlord's charitable or political contributions, membership dues to organizations or expenses related to attendance at or travel to meetings of political, charitable or business organizations;

(xvi) costs associated with the operation of the business of the corporation, partnership or other entity which constitutes Landlord as the same are distinguished from the costs of operation of the Center, including partnership accounting and legal matters, and costs of selling or mortgaging any of Landlord's interest in the Center;

(xvii) any expenses for repairs or maintenance to the extent reimbursed through warranties, service contracts or recoveries from vendors;

(xviii) any costs incurred in connection with the defense of Landlord's title to the Center or any portion thereof;

(xix) fines and penalties incurred by Landlord due to the violation by Landlord or any tenant of the Center of the terms and conditions of any lease at the Center, or fines or penalties incurred by Landlord due to the violation by Landlord or any tenant of the Center of any law, code, regulation or ordinance;

(xx) marketing, advertising and promotional expenditures ;

(xxi) any bad debt or expense, rent loss or reserves for bad debt or rent loss;

(xxii) any amounts constituting "Taxes" as defined in and to the extent payable pursuant to Article 7 of this Lease;

(xxiii) the costs of any building repairs, maintenance, replacement or casualty insurance for any buildings other than Building 1;

(xxiv) any costs which would duplicate a cost included in the Association charges payable by Tenant with respect to Parcel 1; and

(xxv) any premiums for any policy of earthquake insurance with respect to the Center or any portion thereof or any deductible amount under such policies.

10.5 Tenant shall pay its pro-rata share of the operating and maintenance costs described in Section 10.4 above. Tenant's pro-rata share of operating and maintenance costs for the Common Areas of the Center shall be the share of such costs allocated by the Association to Parcel 1 pursuant to the Declaration. Tenant's pro rate share of all other operating and maintenance costs shall be as follows: (i) costs related to repairs, maintenance, replacement and casualty insurance for Building 1 shall be allocated entirely to Tenant; (ii) if Landlord desires to increase the Existing Deductibles described in Section 10.4 (x) above and Tenant does not approve the increase, Landlord may obtain separate policies of property damage and liability insurance for the Outdoor and Common Areas on Parcel 1 to maintain the Existing Deductibles and the premiums for such insurance shall be allocated entirely to Tenant; (iii) costs related to any Shared Areas allocable to Parcel 1 pursuant to the Declaration shall be paid by Tenant in the proportion provided in the Declaration; (iv) costs related to all other Outdoor Areas on Landlord's Parcels shall be the ratio determined by dividing the square footage of Parcel 1 by the total square footage of all of Landlord's Parcels; and (v) notwithstanding the foregoing, operating costs which benefit only one or a portion of all of Landlord's Parcels shall be equitably allocated by Landlord only among the Parcels benefited either by GLA or Parcel square footage, as applicable in Landlord's reasonable business judgment. Landlord's estimate of Tenant's initial pro rata share based on current calculations as outlined above is that amount set forth in Paragraph 1(d) above.

10.6 As Additional Rent, Tenant shall pay Landlord monthly on the first day of each month, following the Commencement Date and continuing on the first day of each month thereafter during the Term hereof, an operating and maintenance charge in an amount estimated by Landlord to be Tenant's share of the "operating and maintenance costs".

The initial monthly operating and maintenance charge shall be the amount estimated by Landlord as set forth in Paragraph 1(d). Landlord may adjust said monthly charge at the end of each calendar year thereafter on the basis of Landlord's reasonably anticipated costs for the following calendar year.

10.7 Within one hundred twenty (120) days after the end of each calendar year, Landlord shall furnish to Tenant a statement showing the total operating and maintenance costs, Tenant's share of such costs, and the total of the monthly payments made by Tenant to Landlord during the calendar year just ended. Landlord shall keep good and accurate books and records concerning the operation, maintenance and management of the Landlord's Parcels, and Tenant and its agents shall have the right, upon twenty (20) days' written notice given within nine (9) months after receipt of the statement for a calendar year, and at Tenant's sole cost and expense to audit, inspect and copy such books and records with respect to such calendar year at the office where the same are located. If such audit discloses that the annual statement has overstated the actual operating and maintenance expenses for the calendar year under review, Landlord shall rebate to Tenant the amount by which Tenant has been overcharged or, at Tenant's election, Tenant may offset such amount against operating and maintenance charges becoming due; and if the audit discloses that Landlord's annual statement has overstated such charges by more than five percent (5%), then, in addition to rebating to Tenant any overcharge, Landlord shall also pay the reasonable costs incurred by Tenant for such audit. If Landlord disputes the results of Tenant's audit, the parties shall submit the dispute for resolution by arbitration in accordance with the procedures set forth in Section 10.4 of the Declaration, which shall be deemed to be incorporated herein by this reference. The decision of the arbitrator shall be binding and conclusive on the parties.

10.8 If Tenant's share of the operating and maintenance costs for the accounting period exceeds the payments made by Tenant, Tenant shall pay Landlord the deficiency within ten (10) days after the receipt of Landlord's statement. If Tenant's payments made during the accounting period exceed Tenant's pro-rata share of the operating and maintenance costs, Tenant may deduct the amount of the excess from the estimated payments next due to Landlord. If a credit remains at the end of the Lease Term, such credit shall be refunded by Landlord to Tenant within twenty (20) business days thereafter. The obligations of Landlord and Tenant under this Section 10.8 shall survive the termination of this Lease.

ARTICLE 11. TRADE FIXTURES AND SURRENDER

11.1 Upon the expiration or sooner termination of the Term hereof, Tenant shall surrender the Premises including, without limitation, all apparatus and fixtures then upon the Premises, in good condition and repair, reasonable wear and tear excepted, broom clean and free of trash and rubbish, subject, however to the following:

a. Tenant shall remove all Alterations which Landlord has designated to be removed pursuant to Section 9.5 above and shall leave all Alterations which Landlord has designated pursuant to that Section must remain;

b. If no consent was required or obtained, Tenant shall either remove or leave all Alterations which Landlord prior to the end of the Term designates in writing to Tenant must be removed or left in place;

c. Tenant at its election may remove or leave all Alterations with respect to which Landlord has not made a designation as described in (a) or (b) above.

d. Tenant shall remove all of Tenant's Personal Property (as defined in Section 11.3 below).

e. Tenant shall repair all damage caused by removal of its Personal Property and any Alterations Tenant is permitted to remove.

Notwithstanding anything to the contrary herein, Tenant Improvements and any Special Tenant Improvements shall be the property of Landlord throughout the Term to the extent of the amount of the Tenant Improvement Allowance, and such improvements may not be removed by Tenant without Landlord's prior written consent. To the extent the costs of Tenant Improvements and/or Special Tenant Improvements exceed the Tenant Improvement Allowance, such improvements shall be owned by Tenant throughout the Term. At the end of the Term, all Tenant Improvements and Special Tenant Improvements which Tenant is not required to remove in accordance with the terms hereof shall be surrendered by Tenant without any injury, damage or disturbance thereto, and Tenant shall not be entitled to any payment therefore.

11.2 Consistent with Section 4.7, Tenant shall notify Landlord in writing of the manner and means in which it will remove any and all Hazardous Substances used in the Premises during its occupancy. Tenant shall also certify in writing upon delivery of Premises to Landlord on the date of the Lease expiration that all Hazardous Substances were removed in accordance with all governmental and regulatory laws.

11.3 Moveable trade fixtures, furniture and other personal property (collectively, Tenant's "PERSONAL PROPERTY") installed in the Premises by Tenant at its cost shall be Tenant's property unless otherwise provided in Section 11.1 above and Tenant shall remove all of the same prior to the termination of this Lease and at its own cost repair any damage to the Premises and Parcel 1 caused by such removal. If Tenant fails to remove any of such property, Landlord may at its option retain such property as abandoned by Tenant and title thereto shall thereupon vest in Landlord, or Landlord may remove the same and dispose of it in any manner and Tenant shall, upon demand, pay Landlord the actual expense of such removal and disposition plus the cost of repair of any and all damage to said Premises and the building thereto resulting from or caused by such removal.

ARTICLE 12. DAMAGE OR DESTRUCTION

12.1 Except as otherwise provided in Section 12.2 below, if the Premises are damaged and destroyed by any casualty covered by fire and special extended coverage insurance policies which Landlord is required to provide pursuant to Article 14, Landlord shall repair such damage as soon as reasonably possible, to the extent of the available proceeds, and the Lease shall continue in full force and effect.

12.2 If the Premises are damaged or destroyed by any casualty covered by Landlord's fire and special extended coverage insurance policies which Landlord is required to provide pursuant to Article 14, to the extent of seventy-five percent (75%) or more of the replacement cost thereof, or to the extent of twenty-five percent (25%) or more of the replacement cost of the Premises if the damage occurs during the last twelve (12) months of the Term, or if the insurance proceeds which are received by Landlord, under the policies Landlord is required to provide, are not sufficient to repair the damage (specifically including any insufficiency due to payment of such proceeds to Landlord's lender, if required), then Landlord may, at Landlord's option, either (i) repair such damage as soon as reasonably possible, in which event this Lease shall continue in full force and effect, or (ii) cancel and terminate this Lease as of the date of the occurrence of such damage. Landlord shall deliver to Tenant written notice of Landlord's election within sixty (60) days after the date of the occurrence of the damage, which notice shall also specify the expected time to restore the Premises if Landlord elects to repair the damages.

See Addendum A-12.2.

12.3 If at any time during the Term the Premises are damaged and such damage was caused by a casualty not covered under the insurance policy Landlord is required to carry pursuant to Section 14.2, Landlord may, at its option, either (i) repair such damage as soon as reasonably possible at Landlord's expense, in which event this Lease shall continue in full force and effect, or (ii) cancel and terminate this Lease as of the date of the occurrence of such damage, by giving Tenant written notice of Landlord's election to do so within thirty (30) days after the date of occurrence of such damage, in which event this Lease shall so terminate unless within thirty (30) days thereafter Tenant agrees to repair the damage at its cost and expense or pay for Landlord's repair of such damage.

12.4 Notwithstanding anything to the contrary herein, if it is determined that the damage or destruction resulting from a casualty cannot be repaired within twelve (12) months following the date of casualty, Tenant may

terminate this Lease by written notice delivered to Landlord within thirty (30) days following Tenant's receipt of Landlord's written notice given under Section 12.2 or 12.3 above.

12.5 In the event of any damage or destruction the Base Rent and all Additional Rent payable by Tenant hereunder shall be proportionately reduced from the date of casualty until the completion by Landlord of any repair or restoration pursuant to this Article 12 (provided that the abatement period shall not exceed twelve (12) months). Said reduction shall be based upon the extent to which the damage or the making of such repairs or restoration shall interfere with Tenant's business conducted in the Premises.

12.6 Landlord shall in no event be required or obligated to repair, restore or replace any of Tenant's Personal Property. Landlord shall restore the Tenant Improvements and Special Tenant Improvements (if any) to the extent of insurance proceeds received by Landlord. In the event of a termination of this Lease pursuant to this Article 12, Landlord shall pay to Tenant from the proceeds of the insurance payable to Landlord with respect to the Tenant Improvements and Special Tenant Improvements an amount equal to the unamortized cost of Tenant's ownership interest in the Tenant Improvements and the Special Tenant Improvements.

12.7 In the event of a dispute by the parties regarding the extent of damage, duration of repair or rights of termination under Article 12 or 13 only of the Lease, either party can request arbitration within ninety (90) days after the date of the damage has occurred. In such event the dispute shall be resolved by arbitration in accordance with the procedures set forth in Section 10.4 of the Declaration. The decision of the arbitrator shall be binding and conclusive on the parties.

ARTICLE 13. EMINENT DOMAIN

13.1 If all or substantially all of the Premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain (or similar law authorizing the involuntary taking of private property, which shall include a sale in lieu thereof to a public body), either party hereto shall have the right, at its option, to terminate this Lease effective as of the date possession is taken by said authority, and Landlord shall be entitled to any and all income, rent, award and any interest thereon whatsoever which may be paid or made in connection with such public or quasi-public use or purpose. Tenant shall have no claim against Landlord for any portion of Landlord's award and shall not make a claim for the value of any unexpired term of this Lease.

13.2 If only a portion of the Premises is taken such that the Premises are still accessible and usable for the operation of Tenant's business, then this Lease shall continue in full force and effect and the proceeds of the award shall be used by Landlord to restore the remainder of the improvements on the Premises so far as practicable to a complete unit of like quality and condition to that which existed immediately prior to the taking, and all Rent payable by Tenant hereunder shall be reduced in proportion to the floor area of the Premises which is no longer available for Tenant's use. Landlord's restoration work shall not exceed the scope of work done by Landlord in originally constructing the Premises and the cost of such work shall not exceed the amount of the award received by Landlord with respect to the Premises.

13.3 Nothing hereinbefore contained shall be deemed to deny to Tenant its right to seek a separate award from the condemning authority for the unamortized costs of Tenant's ownership interest in the Tenant Improvements and Special Tenant Improvements, damage to its trade fixtures and personal property, relocation expenses or loss of goodwill.

ARTICLE 14. INSURANCE

14.1 Tenant shall, at all times during the Term hereof, at its expense, carry and maintain insurance policies in the amounts and in the form hereafter provided:

(a) COMMERCIAL LIABILITY AND PROPERTY DAMAGE: Commercial general liability insurance in an amount not less than One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) in the general aggregate of bodily injury and property damage insuring against liability of the insured with respect to the Premises or arising from the maintenance, use or occupancy thereof. All such insurance shall include contractual

liability insurance for the bodily injury, personal injury and property damage liability assumed by Tenant in Article 16 hereof. Said insurance shall provide that Landlord is named as an additional insured and will have a "separation of insureds" clause. Landlord's recovery under Tenant's insurance as an additional insured shall apply to loss or damages resulting from Tenant's negligence and shall not be restricted due to any contributory negligence on the part of Landlord. However, Tenant's insurance shall not be responsible for loss or damage that is determined to be due to the sole negligence of Landlord. The insurance by this policy shall be primary insurance. The liability insurance required to be provided by Tenant shall be applicable to claims incurred by reason of events with respect to the Premises or arising from the maintenance, use or occupancy thereof during the term of this Lease, regardless of when such claims shall be first made against Tenant and/or Landlord. Should any required liability insurance be written on a claims-made basis, Tenant shall continue to provide evidence of such coverage beyond the term of this Lease, for a period mutually agreed upon by Landlord and Tenant at the time of termination, but in no event for a period of less than five years. Not more frequently than once each year, if in the opinion of Landlord's lender or of the insurance consultant retained by Landlord, the amount of liability insurance coverage at that time is not adequate, Tenant shall increase the insurance coverage as either required by Landlord's lender or recommended by Landlord's insurance consultant.

(b) TENANT PERSONAL PROPERTY: Insurance covering all of Tenant's trade fixtures, merchandise and other personal property from time to time in the Premises in an amount equal to their full replacement cost from time to time, providing protection against the "risks of physical damage" as provided in the ISO Causes of Loss - Special Form (CP 10 30), or equivalent insurance company form. The proceeds of such insurance shall, so long as this Lease remains in effect, be used to repair or replace the property damaged or destroyed, as determined by Tenant.

(c) WORKER'S COMPENSATION: Worker's Compensation insurance as required by the State of California.

(d) POLICY FORM: All insurance to be carried by Tenant hereunder shall be in companies, on forms and with loss payable clauses satisfactory to Landlord. The commercial liability and property damage insurance carried by Tenant pursuant to Section 14.1(a) above shall name Landlord, its managers, their officers, directors, partners, employees and agents as additional insureds. Each policy shall include a notice of cancellation to additional insured on the Additional Insured endorsement providing that no such policy shall be canceled except upon thirty (30) days advance notice to all additional insureds by the issuing company in the event of cancellation. Tenant shall have the right to maintain required insurance under blanket policies provided that Landlord and such parties as Landlord may reasonably designate from time are named therein as additional insureds (as to Tenant's liability policies)and that the coverage afforded Landlord will not be reduced or diminished by reason thereof, including self funded insurance reserves.

(e) EVIDENCE OF INSURANCE: Concurrent with delivery of possession of the Premises to Tenant, Tenant shall provide Landlord with the following evidence of insurance:

(i) Certificate evidencing that each of the insurance policies required in subparagraphs (a), (b) and (c) above are in full force and effect, and

(ii) A copy of the applicable provision or endorsement from each of Tenant's policies specifying that Landlord and the parties designated by Landlord are additional insureds, that the insurer recognizes the waiver of subrogation set forth in Article 15 hereof, and that the insurer agrees not to cancel the policy without the notice to Landlord specified in subparagraph (d) above.

14.2 Subject to reimbursement by Tenant as provided in Article 10 herein, Landlord shall obtain and keep in force during the term hereof, a policy or policies of insurance covering loss or damage to Building 1 and improvements on Landlord's Parcels. Landlord's insurance shall cover the "risks of physical damage" as provided in the ISO Causes of Loss - Special Form (CP 10 30), or equivalent insurance company form, together with an endorsement providing for rental income insurance covering all Rent payable by Tenant hereunder for a period of twelve (12) months.

14.3 Landlord's policy described in Section 14.2 shall also insure all Tenant Improvements and Special Tenant Improvements for one hundred percent of the replacement cost thereof, with an agreed amount endorsement in lieu of coinsurance. Tenant shall pay to Landlord the cost of the insurance covering the Tenant Improvements and Special Tenant Improvements as provided in Article 10 herein. Tenant acknowledges that Landlord's insurance on the Tenant and Special Tenant Improvements will not include earthquake insurance. Upon Tenant's request, Landlord shall obtain such coverage at Tenant's sole cost and expense.

14.4 If Tenant shall fail to procure and maintain any insurance policy required herein, Landlord may (but shall not be obligated to), after reasonable written notice to Tenant procure the same on Tenant's behalf, and the cost of same shall be payable as Additional Rent within ten (10) business days after written demand therefore by Landlord. Tenant's failure to pay such Additional Rent shall constitute an Event of Default of this Lease, and Landlord may, without any further notice, exercise its remedies specified in Article 25 hereof.

ARTICLE 15. WAIVER OF SUBROGATION

Any fire and special extended coverage insurance and any other property damage insurance carried by either party with respect to Landlord's Parcels, the Common Areas, the Premises and property contained in the Premises or occurrences related to them shall include a clause or endorsement denying to the insurer rights of subrogation against the other party to the extent rights have been waived by the insured prior to occurrence of damage or loss. Each party, notwithstanding any provisions of this Lease to the contrary, waives any right of recovery against the other for injury or loss due to hazards covered by insurance containing such clause or endorsement to the extent that the damage or loss is covered by such insurance.

ARTICLE 16. RELEASE AND INDEMNITY

16.1 Tenant shall indemnify, defend and hold harmless Landlord against and from any and all claims, actions, damages, liability and expenses, including reasonable attorneys' fees, arising from or out of Tenant's use of the Premises or from the conduct of its business or from any activity, work, or other things done, permitted or suffered by the Tenant in or about the Premises or Tenant's reserved parking spaces. Tenant shall further indemnify, defend and hold Landlord harmless from any and all claims arising from any negligent act or omission or willful misconduct of Tenant, or any officer, agent, employee, contractor, guest, or invitee of Tenant, and from all costs, damages, attorneys' fees, and liabilities incurred in defense of any such claim of any action or proceeding brought thereon, including any action or proceeding brought against Landlord by reason of such claim. Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to property or injury to persons in the Premises, from any cause except to the extent arising out of or resulting from Landlord's (or its agents', employees' or contractors') negligent act or omission or willful misconduct. Tenant shall give prompt notice to Landlord in case of casualty or accidents in the Premises.

16.2 Landlord shall indemnify, defend and hold harmless Tenant against and from any and all claims, actions, damages, liability and expenses, including reasonable attorneys' fees, arising from or out of any activity, work, or other things done by Landlord, its agents, employees or contractors in or about the Outdoor Areas and Common Areas on Landlord's Parcels. Landlord shall further indemnify, defend and hold Tenant harmless from any and all claims arising from the negligent act or omission or willful misconduct of Landlord, or any officer, agent, employee, or contractor of Landlord while on any of Landlord's Parcels or Buildings, and from all costs, damages, attorneys' fees, and liabilities incurred in defense of any such claim of any action or proceeding brought thereon, including any action or proceeding brought against Tenant by reason of such claim.

16.3 Except to the extent arising out of or resulting from Landlord's negligent act or omission or willful misconduct, Landlord shall not be liable for injury or damage which may be sustained by the person, goods, wares, merchandise or property of Tenant, its employees, invitees or customers, or by any other person in or about the Premises caused by or resulting from fire, building vibrations or movement of floor slab, steam, electricity, gas, water or rain which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures of the same, whether said damage or injury results from conditions arising upon the Premises or from other sources. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant of the Building.

Notwithstanding the foregoing, nothing contained herein shall limit any representations, warranties or covenants of Landlord set forth in this Lease, or any warranties provided with respect to work performed by Landlord's contractors. Further, notwithstanding the foregoing, the terms of Article 12 shall govern with respect to any events of casualty.

ARTICLE 17. INSOLVENCY, ETC. OF TENANT

17.1 The filing of any petition in bankruptcy whether voluntary or involuntary, or the adjudication of Tenant as bankrupt or insolvent, or the appointment of a receiver or trustee to take possession of all or substantially all of Tenant's assets, or an assignment by Tenant for the benefit of its creditors, or any action taken or suffered by Tenant under any State or Federal insolvency or bankruptcy act including, without limitation, the filing of a petition for or in reorganization, or the taking or seizure under levy of execution or attachment of the Premises or any part thereof, shall constitute a breach of this Lease by Tenant, and in any one or more of said events this Lease shall be deemed terminated to the extent such result is permitted by relevant bankruptcy laws and statutes.

17.2 Landlord shall be entitled, notwithstanding any provision of this Lease to the contrary, upon re-entry of the Premises in case of a breach under this Article, to recover from Tenant as damages, and not as a penalty, such amounts as are specified in Article 25, unless any statute governing the proceeding in which such damages are to be proved shall lawfully limit the amount thereof capable of proof, in which later event Landlord shall be entitled to recover as and for its damages the maximum amount permitted under said statute.

ARTICLE 18. PERSONAL PROPERTY AND OTHER TAXES

18.1 Tenant shall pay, before delinquency, any and all taxes and assessments, sales, use, business, occupation or other taxes, and license fees or other charges whatever levied, assessed or imposed upon its business operations conducted in the Premises. Tenant shall also pay, before delinquency, any and all taxes and assessments levied, assessed or imposed upon its equipment, furniture, furnishings, trade fixtures, merchandise and other personal property in, on or upon the Premises.

18.2 Tenant shall pay all taxes and assessments levied, assessed or imposed on Tenant's trade fixtures and its leasehold improvements, regardless of whether such improvements were installed and/or paid for by Tenant or by Landlord, and regardless of whether or not the same are deemed to be a part of the Building.

18.3 Tenant shall pay (or reimburse Landlord therefor forthwith on demand) any excise tax, gross receipts tax, or any other tax however designated, and whether charged to Landlord, or to Tenant, or to either or both of them, which is imposed on or measured by or based on the rentals to be paid under this Lease, or any estate or interest of Tenant, or any occupancy, use or possession of the Premises by Tenant.

18.4 Nothing hereinabove contained in this Article shall be construed as requiring Tenant to pay any inheritance, estate, succession, transfer, gift, franchise, income or profits tax or taxes imposed upon Landlord.

ARTICLE 19. SIGNS

Tenant shall not place, construct or maintain on the windows, doors or exterior walls or roof of the Premises or any interior portions that may be visible from the exterior of the Premises, any signs, advertisements, names, trademarks or other similar item without Landlord's consent, which consent shall not be unreasonably withheld or delayed so long as the signage Tenant installs complies with all Legal Requirements and the master sign program for the Center. Upon written notice from Landlord specifying the violation in reasonable detail, Tenant shall, at Tenant's cost, remove any item so placed or maintained which does not comply with the provisions of this Section. Landlord agrees that Landlord shall not install or permit the installation of signs or billboards on the exterior walls and/or the roof of the Premises.

See Addendum 32.25.

ARTICLE 20. ASSIGNMENT AND SUBLETTING

20.1 Subject to the terms of Section 20.4, Tenant shall not voluntarily, involuntarily, or by operation of law assign, transfer, hypothecate, or otherwise encumber this Lease or Tenant's interest therein, and shall not sublet nor permit the use by others of the Premises or any part thereof without first obtaining in each instance Landlord's written consent. If consent is once given by Landlord to any such assignment, transfer, hypothecation or subletting, such consent shall not operate as a waiver of the necessity for obtaining Landlord's consent to any subsequent assignment, transfer, hypothecation or sublease, and no assignment shall release Tenant from any liability hereunder. Any such assignment or transfer without Landlord's consent shall be void and shall, at Landlord's option, constitute an Event of Default of this Lease. This Lease shall not, nor shall any interest therein, be assignable as to Tenant's interest by operation of law, without Landlord's express prior written consent.

20.2 The consent of Landlord required under Section 20.1 above shall not be unreasonably withheld or delayed. Should Landlord withhold its consent for any of the following reasons, the withholding shall be deemed to be reasonable:

(a) Conflict of the proposed use with other uses in the Building or Center;

(b) Financial inadequacy of the proposed subtenant or assignee;

(c) A proposed use which would diminish the reputation of the Center or the other businesses located therein;

(d) A proposed use which would have a detrimental impact on the common facilities or the other tenants in the Center.

20.3 Each assignee or transferee shall agree to assume and be deemed to have assumed this Lease and shall be and remain liable jointly and severally with Tenant for the payment of all rents due here under, and for the due performance during the term of all the covenants and conditions herein set forth by Tenant to be performed. No assignment or transfer shall be effective or binding on Landlord unless said assignee or transferee shall, concurrently, deliver to Landlord an assumption agreement by said assignee or transferee assuming all obligations of Tenant under this Lease.

20.4 Notwithstanding anything to the contrary herein, Landlord's consent shall not be required for any assignment, transfer or sublease to any entity which controls, is controlled by or under common control with Tenant, or to any entity resulting from a reorganization, merger or sale of substantially all of the assets of Tenant. The term "CONTROL" shall mean the ownership of at least 50% of the stock or assets of Tenant. Further, Landlord's consent shall not be required for any offering of the stock of Tenant on the public market or any open market transactions involving the stock of Tenant. If Tenant is not a publicly traded corporation, or if Tenant is an unincorporated association or a partnership, the transfer, assignment, or hypothecation or any stock or interest in such corporation, association or partnership in the aggregate of in excess of fifty percent (50%) shall be deemed an assignment within the meaning of this Article, except transfers in connection with Tenant becoming a publicly traded corporation. Tenant shall give Landlord prior written notice of all transfers, whether or not consent is required, and in no event shall Tenant be released from any of its obligations under this Lease.

20.5 If Tenant intends to assign this Lease and Landlord's consent to such assignment is required, Tenant shall give prior written notice to Landlord of each such proposed assignment or subletting specifying the proposed assignee or subtenant and the terms of such proposed assignment or sublease. Landlord shall, within fifteen (15) business days thereafter, notify Tenant in writing either, that (i) it consents (subject to any conditions of consent that may be imposed by Landlord) or does not consent to such transaction, or (ii) it elects to cancel this Lease in which event the parties would have no further obligations to each other except with respect to obligations which arose prior to the effective date of termination or which otherwise survive the termination of this Lease.

20.6 In the event of an assignment or subletting which requires Landlord's consent pursuant to this Article 20, Tenant shall assign to Landlord 75% of any and all consideration paid to Tenant directly or indirectly for

the assignment by Tenant of its leasehold interest, and 75% of any and all subrentals payable by sublessees to Tenant which are in excess of the Rent payable by Tenant hereunder. Tenant's brokerage fees shall be paid by Tenant and deducted from excess proceeds on a pro rata basis monthly over the term of the sublease.

20.7 Tenant agrees to reimburse Landlord for Landlord's reasonable costs and attorneys fees' incurred in connection with the processing and documentation of any requested assignment, transfer, hypothecation or subletting of this Lease aforesaid, whether or not such consent is granted, in an amount not to exceed $2500 in each instance.

ARTICLE 21. RIGHTS RESERVED BY LANDLORD

Subject to Tenant's reasonable security and trade secret requirements, upon reasonable prior notice, Landlord or its agents shall have the right to enter the Premises for the purposes of:

(a) Inspection of the Premises and the equipment therein, not to exceed once per calendar quarter (or not to exceed once per year for inspections of any clean room), except in the event of an emergency or unless a known problem exists or Landlord is responding to a third party complaint involving the Premises;

(b) Making repairs or improvements to the Premises and/or Building 1 which are the responsibility of Landlord under the terms of this Lease;

(c) Performing remodeling, construction or other work incidental to any portion of the Building 1, including, without limitation, the premises of another tenant adjacent to, above or below the Premises. Landlord agrees to coordinate the timing and staging of any major construction program with Tenant

(d) Showing the Premises to persons wishing to purchase or make a mortgage loan upon the same;

(e) Posting notice of non-responsibility;

(f) Posting "For Lease" signs and showing the Premises to persons wishing to rent the Premises during the last six (6) months of the term of this Lease.

ARTICLE 22. INTENTIONALLY DELETED

ARTICLE 23. RIGHT OF LANDLORD TO PERFORM

All covenants to be performed by Tenant hereunder shall be performed by Tenant at its sole cost and expense and without any abatement of any rent to be paid hereunder, subject to the terms and conditions set forth in this Lease. If Tenant shall fail to pay any sum, other than rent, required to be paid by it or shall fail to perform any other act on its part to be performed, and such failure shall continue beyond the applicable notice and grace period set forth in Article 25, Landlord may (but shall not be obligated to) and without waiving or releasing Tenant from any of its obligations, make any such payment or perform any such other act on Tenant's part to be made or performed as herein provided. All sums so paid by Landlord and all necessary incidental costs, together with interest at the Interest Rate from the date of such payment by Landlord shall be payable by Tenant as Additional Rent within thirty (30) days after Landlord's written demand therefor. Tenant's failure to pay such Additional Rent shall constitute an Event of Default of this Lease, and Landlord may, without any further notice, exercise its remedies specified in Article 25 hereof.

ARTICLE 24. LANDLORD DEFAULT

24.1 If Landlord shall be in default of any covenant of this Lease to be performed by it, Tenant, prior to exercising any right or remedy it may have against Landlord on account thereof, shall give Landlord a thirty (30) day written notice of such default, specifying the nature of such default. Notwithstanding anything to the contrary

elsewhere in this Lease, Tenant agrees that if the default specified in said notice is of such nature that it can be cured by Landlord, but cannot with reasonable diligence be cured within said thirty (30) day period, then such default shall be deemed cured if Landlord within said thirty (30) days period shall have commenced the curing thereof and shall continue thereafter with all due diligence to cause such curing to proceed to completion.

24.2 If Landlord shall fail to cure a default of any covenant of this Lease to be performed by it within the time period provided in Section 24.1, the same shall be deemed an Event of Default by Landlord and, subject to Section 24.3, Tenant may pursue all remedies available at law or in equity and may recover all costs and expenses incurred by Tenant by reason of such default by Landlord. Notwithstanding the foregoing, if Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied solely out of the right, title and interest of Landlord in the Premises and its underlying realty and out of the rents, or other income from said property receivable by Landlord, or out of the consideration received by Landlord's right, title and interest in said property, but neither Landlord nor any partner or joint venture of Landlord shall be personally liable for any deficiency.

24.3 Tenant agrees to give any mortgagee and/or trust deed holders ("MORTGAGEE"), by registered mail, a copy of any notice of default served upon the Landlord, provided that prior to such notice Tenant has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise) of the address of such Mortgagee. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided for in this Lease, then the Mortgagee shall have an additional sixty (60) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary to cure such default shall be granted if within such sixty (60) days Mortgagee has commenced and is diligently pursuing the remedies necessary to cure such default (including, but not limited to, commencement of foreclosure proceedings, if necessary to effect such cure), in which event the Lease shall not be terminated while such remedies are being so diligently pursued.

ARTICLE 25. DEFAULT AND REMEDIES

25.1 The occurrence of any of the following shall constitute an "EVENT OF DEFAULT" under this Lease by Tenant:

(a) Any failure by Tenant to pay when due any of the Rent required to be paid by Tenant hereunder where such failure continues for five (5) business days after Tenant's receipt of written notice that the same is overdue;

(b) A failure by Tenant to observe and perform any other provision of this Lease to be observed or performed by Tenant where such failure continues for thirty (30) days after written notice thereof from Landlord; provided, that if the nature of such default is such that the same cannot with due diligence be cured within said period, Tenant shall not be deemed to be in default if it shall within said period commence such during and thereafter diligently prosecutes the same to completion;

(c) Any default by Tenant under any other lease between Landlord and Tenant for other premises in the Center;

(d) The abandonment or vacation of the Premises, provided that if Tenant has vacated the Premises and is actively seeking a subtenant or assignee, no default shall be deemed to exist under this Lease so long as Tenant is paying the Rent required to be paid hereunder; and

(e) Any other event herein specified to be an Event of Default under this Lease.

25.2 In the event of any Event of Default by Tenant as aforesaid, in addition to any and all other remedies available to Landlord at law or in equity, Landlord shall have the right to immediately terminate this Lease and all rights of Tenant hereunder by giving written notice to Tenant of its election to do so. If Landlord shall elect to terminate this Lease, then it may recover from Tenant:

(a) The worth at the time of the award of the unpaid rent payable hereunder which had been earned at the date of such termination; plus

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

(c) The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of the award exceeds the amount of such rental loss which Tenant proves could be reasonably avoided; plus

(d) Any other amounts necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations hereunder or which, in the ordinary course of affairs, would likely result therefrom; and

(e) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by applicable California law from time to time.

25.3 As used in subparagraphs (a) and (b) above, the "worth at the time of the award" is computed by allowing interest at the rate of twelve (12%) percent per annum (the "INTEREST RATE"). As used in subparagraph (c) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award plus one (1%) percent.

25.4 Following the occurrence of an Event of Default by Tenant, Landlord shall also have the right, with or without terminating this Lease, to re-enter the Premises and remove all property and persons therefrom, and any such property may be removed and stored in a public warehouse or elsewhere at the cost and for the account of Tenant, all in accordance with all Legal Requirements.

25.5 If Landlord (in accordance with California Civil Code Section 1951.4) shall elect to re-enter as above provided or shall take possession of the Premises pursuant to legal proceedings or pursuant to any notice provided by law, and if Landlord has not elected to terminate this Lease, Landlord may continue this Lease and may either recover all rental as it becomes due or relet the Premises or any part or parts thereof for such term or terms and upon such provisions as Landlord, in its sole judgment, may deem advisable and shall have the right to make repairs to and alterations of the Premises.

25.6 If Landlord shall elect to relet as aforesaid, then rentals received by Landlord therefrom shall be applied as follows:

(a) to the payment of any indebtedness of Tenant to Landlord other than rent due hereunder from Tenant;

(b) to the payment of all costs and expenses incurred by Landlord in connection with such reletting;

(c) to the payment of the cost of any alterations of and repairs to the Premises; and

(d) to the payment of rent due and unpaid hereunder and the residue, if any, shall be held by Landlord and applied in payment of future rent as the same may become due and payable hereunder.

In no event shall Tenant be entitled to any excess rental received by Landlord over and above that which Tenant is obligated to pay hereunder. Should that portion of such rentals received from such reletting during any month, which is applied to the payment of rent hereunder, be less than the rent payable hereunder during that month by Tenant, then Tenant shall pay such deficiency to Landlord forthwith upon demand, and said deficiency shall be calculated and paid monthly. Tenant shall also pay Landlord as soon as ascertained and upon demand, all costs and expenses incurred by Landlord in connection with such reletting and in making any such alterations and repairs which are not covered by the rentals received from such reletting.

25.7 No re-entry or taking possession of the Premises by Landlord under this Article shall be construed as an election to terminate this Lease unless a written notice of such intention is given to Tenant or unless the

termination thereof be adjudged by a court of competent jurisdiction. Notwithstanding any reletting without termination by Landlord because of Tenant's default, Landlord may at any time after such reletting elect to terminate this Lease because of such default.

25.8 Nothing contained in this Article shall constitute a waiver of Landlord's right to recover damages by reason of Landlord's efforts to mitigate the damages to it caused by Tenant's default; nor shall anything in this Article adversely affect Landlord's right, as in this Lease elsewhere provided, to indemnification against liability for injury or damage to persons or property occurring prior to a termination of this Lease.

25.9 Subject only to Article 31, if Landlord shall retain an attorney for the purpose of collecting any rental due from Tenant or enforcing any other covenant of this Lease, Tenant shall pay the reasonable fees of such attorney for his services regardless of the fact that no legal proceeding or action may have been filed or commenced.

25.10 Any unpaid rent and any other sums due and payable hereunder by Tenant shall bear interest at the maximum lawful rate per annum from the due date and until payment thereof.

25.11 The terms "RENT," "RENT" and "RENTAL" as used herein and elsewhere in this Lease shall be deemed to be and mean the Base Rent, all Additional Rent, rental adjustments and any and all other sums, however designated, required to be paid by Tenant hereunder.

25.12 Tenant acknowledges that late payment by Tenant to Landlord of rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Landlord by the terms of any encumbrance and note secured by any encumbrance covering the Premises. Therefore, if any installment of rent due from Tenant is not received by Landlord when due more than once in any calendar year during the Term, Tenant shall pay to Landlord as additional rent an additional sum of six percent (6%) of the overdue rent as a late charge. The parties agree that this late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of late payment by Tenant. Acceptance of any late charge shall not constitute a waiver of Tenant's default with respect to the overdue amount, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord.

25.13 If Landlord shall retain a collection agency for the purpose of collecting any moneys due from Tenant arising out of an Event of Default hereunder, Tenant shall pay all fees of such collection agency for their services.

ARTICLE 26. PRIORITY OF LEASE AND ESTOPPEL CERTIFICATE

26.1 At Landlord's election, this Lease shall be either superior to or subordinate to any and all trust deeds, mortgages, or other security instruments, ground leases, or leaseback financing arrangements now existing or which may hereafter be executed covering the Premises and/or the land underlying the same or any part or parts of either thereof, and for the full amount of all advances made or to be made thereunder together with interest thereon, and subject to all the provisions thereof, all without the necessity of having further instruments executed by Tenant to effectuate the same. Tenant agrees to execute, acknowledge and deliver upon request by Landlord any and all documents or instruments which are or may be deemed necessary or proper by Landlord to more fully and certainly assure the superiority or the subordination of this Lease and to any such trust deeds, mortgages or other security instruments, ground leases, or leasebacks provided that as a condition to any such subordination and if this Lease shall be made subordinate to any future security instrument, any person or persons purchasing or otherwise acquiring any interest at a foreclosure sale under said trust deed, mortgages or other security instruments, or by termination of said ground leases or leasebacks, shall continue this Lease in full force and effect in the same manner as if such person or persons had been named as Landlord herein and this Lease shall continue in full force and effect as aforesaid, and Tenant shall automatically become the tenant of Landlord's successor in interest and shall attorn to said successor in interest. The words "PERSON" and "PERSONS" as used herein or elsewhere in this Lease shall mean individuals, partnerships, firms, associations and corporations.

See Addendum A-26.1.

26.2 Landlord and Tenant shall at any time and from time to time execute, acknowledge and deliver to the other party hereto, within ten (10) business days after such party's written request therefor, a written statement certifying as follows:

(a) that this Lease is unmodified and in full force (or if there has been modification thereof, that the same is in full force as modified and stating the nature thereof);

(b) that to the best of its knowledge, there are no uncured defaults or matters which, upon the passage of time and the giving of notice, or both, would constitute a default or breach by Tenant or Landlord, as applicable (or if such exist, the specific nature and extent);

(c) that no claims or defenses exist on the part of the certifying party and no events exist that would constitute a basis for such claim or defense (or if such exist, the specific nature and extent);

(d) the date to which any rents and other charges have been paid in advance, if any;

(e) such other matters which are reasonably requested by the requesting party with respect to the Lease and its status, including status of construction; and

(f) in the case of Tenant's certificate, that Tenant will not enter into any agreements or modification of the Lease without the prior written consent of the lender specified by Landlord, provided such consent would not be unreasonably withheld.

If Landlord or Tenant shall fail to execute and deliver any such statement to the requesting party within ten (10) business days, the requesting party may deliver a second written notice requesting the statement. If the party required to deliver the statement fails to make such delivery within five (5) business days following such second notice, the failure shall constitute an Event of Default hereunder entitling the requesting party to pursue available remedies as set forth in this Lease.

26.3 At Landlord's election, this Lease shall be subordinate to any and all encumbrances, covenants, restrictions, conditions and easements of record now existing or which hereafter may be executed ("RECORD MATTERS") covering the Premises and/or the land underlying the same or any parts thereof without the necessity of having further instruments executed by Tenant to effectuate the same, provided that any future encumbrances shall be subject to the provision of Section 26.1 above and any other Record Matters recorded after the date of this Lease shall not materially and adversely affect Tenant's use of the Premises. Landlord hereby confirms that it has no present knowledge of the existence of any encumbrances, covenants, restrictions, conditions or easements of record which now exist ,or which will be recorded in the future with respect to Parcel 1, that would materially and adversely affect Tenant's use of the Premises other than those shown in the title report for Center attached hereto as Exhibit H.

ARTICLE 27. HOLDING OVER

If, without the execution of a new lease or written extension of this Lease, and with the consent of Landlord, Tenant shall hold over after the expiration of the Term of this Lease, Tenant shall be deemed to be occupying the Premises as a tenant from month-to-month, which tenancy may be terminated as provided by law. During said tenancy, the Base Rent payable to Landlord by Tenant shall be one hundred fifty percent (150%) of the Base Rent set forth in Article 3 of this Lease which is payable immediately preceding the date of expiration of this Lease, and upon all of the other terms, covenants and conditions set forth in this Lease so far as the same are applicable.

If Tenant shall holdover and fail to surrender the Premises upon the termination of this Lease without Landlord's consent, in addition to any other liabilities to Landlord arising therefrom, Tenant shall and does hereby agree to indemnify and hold Landlord harmless from loss or liability resulting from such failure including, but not limited to, claims made by any succeeding tenant founded on such failure.

ARTICLE 28. NOTICES

All notices, approvals, demands, consents or other communications required or permitted under this Lease shall be in writing and shall be deemed to have been given when personally served or received by certified mail, postage prepaid, or on the next business day sent by telefax, Express Mail, Federal Express or similar reputable overnight delivery service, addressed to the appropriate party at the address indicated next to each party's signature below. Notwithstanding the foregoing, notices during the initial construction of the Premises relating to construction matters shall be governed by the provisions of Exhibit C.

ARTICLE 29. LIENS

29.1 Tenant shall pay all costs for work done by it or caused to be done by it in the Premises and Tenant shall keep the Premises and the Center free and clear of all mechanics' liens and other liens of account or work done for Tenant or persons claiming under it. Notwithstanding the foregoing, Tenant shall have no responsibility or liability with respect to liens filed with respect to the Base Building, and Tenant Improvements or any other work performed by Landlord pursuant to Article 8, Exhibit C or otherwise. Tenant agrees to and shall indemnify and hold Landlord harmless against liability, loss, damage, costs, attorneys' fees, and any other expenses on account of claims of liens of laborers or materialmen for work performed or materials or supplies furnished for Tenant or persons claiming under it. If any such lien shall attach to the Premises or the Center by reason of any work performed by Tenant, Tenant shall promptly, and in any event within twenty (20) days thereafter, discharge it as a matter of record or bond over it. If necessary to accomplish same, Tenant shall furnish and record a bond to insure the protection of Landlord, the Premises, and the Center (including all buildings located thereon or of which they form a part) from loss by virtue of any such lien.

29.2 Any bond furnished by Tenant pursuant to the provisions of Section 29.1 above shall be a lien release bond issued by a corporation authorized to issue surety bonds in the State of California in an amount equal to one and one-half the amount of such claim of lien. The bond shall meet the requirements of Civil Code Section 3143 and shall provide for the payment of any sum that the claimant may recover on the claim, together with said lien claimant's costs of suit if he recovers therein.

29.3 If a mechanics' lien which is Tenant's responsibility pursuant to Section 29.1 above has been filed, and Tenant shall not have discharged same of record within the time permitted by that Section, Landlord may (but shall not be obligated to) pay said claim and any costs, and the amount so paid, together with reasonable attorneys' fees incurred in connection therewith shall be payable by Tenant to Landlord as Additional Rent within five (5) days after written demand therefor. Tenant's failure to pay such Additional Rent shall constitute an Event of Default of this Lease, and Landlord may, without any further notice, exercise its remedies specified in Article 25 hereof.

29.4 Tenant shall, at least ten (10) days prior to commencing any work which might result in a lien as aforesaid, give Landlord written notice of its intention to commence such work, to enable Landlord to post, file and record a legally effective notice of non-responsibility. Landlord or its representatives shall have the right to enter into the Premises and inspect the same at all reasonable times, and shall have the right to post and keep posted thereon said notices of non-responsibility and such other notices as Landlord may deem proper to protect its interest therein.

ARTICLE 30. QUIET ENJOYMENT

Landlord agrees that Tenant, upon payment of the Base Rent, Additional Rent, and all other sums and charges required to be paid by Tenant hereunder, and the due and punctual performance of all of Tenant's other covenants and obligations under this Lease, shall have the quiet and undisturbed possession of the Premises.

ARTICLE 31. ATTORNEYS' FEES

Should either party hereto institute any action or proceeding in court to enforce any provision hereof or for damages or for declaratory or other relief hereunder, the prevailing party shall be entitled to receive from the losing

party, in addition to court costs, such amount as the court may adjudge to be reasonable as attorneys' fees for services rendered to said prevailing party, and said amount may be made a part of the judgment against the losing party.

ARTICLE 32. MISCELLANEOUS

32.1 Nothing contained in this Lease shall be deemed or construed as creating a partnership or joint venture between Landlord and Tenant or between Landlord and any other party, or cause Landlord to be in any manner responsible for the debts or obligations of Tenant, or any other party. The covenants in this Lease are made between the parties to the Lease and shall not be deemed or construed as creating any rights in any other party claiming to be a third party beneficiary of this agreement.

32.2 If any provision of this Lease shall be determined to be void or voidable by any court of competent jurisdiction, such determination shall not affect any other provision of this Lease and all such other provisions shall remain in effect. It is the intention of the parties hereto that if any provision of this Lease is capable of two constructions, one of which would render the provision void or voidable and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid.

32.3 If Tenant hereunder is a corporation or partnership, the parties executing this Lease on behalf of Tenant represent and warrant to Landlord that: they are authorized to enter into this Lease; this Lease is executed in the usual course of business of Tenant and that neither the corporate Articles nor Bylaws of Tenant or any partnership agreement of Tenant, as the case may be, require the consent of its shareholders or partners, as applicable, thereto; Tenant is a valid and existing corporation or partnership, as applicable; all things necessary to qualify Tenant to do business in California have been accomplished prior to the date of this Lease; all franchise and other taxes have been paid to the date of this Lease; all forms, reports, fees, and taxes required to be filed or paid by Tenant in compliance with all Legal Requirements will be filed and paid when due.

32.4 The entire agreement between the parties hereto is set forth in this Lease, and any agreement hereafter made shall be ineffective to change, modify, alter or discharge it in whole or in part unless such agreement is in writing and signed by both parties hereto. It is further understood that there are no oral agreements between the parties hereto affecting this Lease, and that this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter of this Lease, and none of the same shall be available to interpret or construe this Lease. All negotiations and oral agreements acceptable to both parties hereto have been merged into and are included in this Lease.

32.5 Landlord reserves the absolute right to effect such other tenancies in the Center. Tenant does not rely on the fact nor does Landlord represent that any specific tenant or number of tenants shall during the term of this Lease occupy any space in any Building.

32.6 The laws of the State of California shall govern the validity, performance and enforcement of this Lease. Should either party institute legal suit or action for enforcement of any obligation herein, it is agreed that the venue of such suit or action shall be in Alameda County, California, and Tenant expressly consents to Landlord's designating Alameda County as the venue of any such suit or action.

32.7 A waiver of any breach or default shall not be a waiver of any other breach or default. Landlord's consent to or approval of, any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent similar act by Tenant. The acceptance by Landlord of any rental or other payments due hereunder with knowledge of the breach of any of the covenants of this Lease by Tenant shall not be construed as a waiver of any such breach. The acceptance at any time or times by Landlord of any sum less than that which is required to be paid by Tenant shall, unless Landlord specifically agrees otherwise in writing, be deemed to have been received only on account of the obligation for which it is paid, and shall not be deemed an accord and satisfaction notwithstanding any provisions to the contrary written on any check or contained in a letter of transmittal.

32.8 Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefore, failure of power, governmental restrictions, regulations or controls, enemy or hostile governmental action, riot, civil commotion, fire or other casualty, inclement weather beyond seasonal norm and other causes of a like nature beyond the reasonable control of the party obligated to perform (any such event being "FORCE MAJEURE"), shall excuse the performance by such party for a period equal to any such prevention, delay or stoppage, except that Tenant's obligations to pay Rent and any other sums or charges specifically due and payable pursuant to this Lease shall not be affected thereby.

32.9 The term "LANDLORD" as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner or owners at the time in question of the Premises, and in the event of any transfer or transfers of title thereto, Landlord herein named (and in case of any subsequent transfers or conveyances, the then grantor) shall be automatically freed and relieved from and after the date of such transfer or conveyance of all liability as respects the performance of any covenants or obligations hereunder of the part of Landlord to be performed thereafter.

32.10 The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of the Landlord terminate all or any existing subleases and subtenancies, or may, at Landlord's option, operate as an assignment to it of any or all such subleases or subtenancies.

32.11 Although the printed provisions of this Lease were prepared and drawn by Landlord, this Lease shall not be construed either for or against Landlord or Tenant, but its construction shall be at all times in accord with the general tenor of the language so as to reach a fair and equitable result.

32.12 Except as otherwise expressly provided in this Lease, any and all "approvals", "consents" and "permissions" that either party is obligated or required to provide under this Lease shall not be unreasonably withheld or delayed.

32.13 Upon Landlord's written request not more often than once per year, Tenant shall promptly furnish to Landlord, from time to time, financial statements reflecting Tenant's current financial condition. If Tenant is a publicly held company, Tenant may furnish to Landlord Tenant's most recent publicly filed annual or quarterly report to satisfy this request.

32.14 Time is of the essence with respect to the performance of each of the covenants and agreements of this Lease.

32.15 Each and all of the provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and (except as set forth in Section 32.9 above and as otherwise specifically provided elsewhere in this Lease), their respective personal representatives, successors and assigns, subject at all times to all provisions and restrictions elsewhere in this Lease respecting the assignment, transfer, encumbering or subletting of all or any part of the Premises or Tenant's interest in this Lease.

See Addendum A-32.15.

32.16 Submission of this instrument by or on behalf of Landlord for examination or execution by Tenant does not constitute a reservation of or option for lease, and this instrument shall not be effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

32.17 The captions shown in this Lease are for convenience or reference only, and shall not, in any manner, be utilized to construe the scope or the intent of any provisions thereof.

32.18 This Lease shall not be recorded, but Tenant may record a short form Memorandum of this Lease at its expense and Landlord agrees to execute such a memorandum in a form reasonably approved by Landlord upon Tenant's request. In such event, upon Landlord's written request Tenant agrees to execute a quitclaim deed at the end of the term relinquishing any interest in the Premises.

32.19 INTENTIONALLY DELETED.

32.20 All agreements herein by Tenant, whether expressed as covenants or conditions, shall be deemed to be conditions for the purpose of this Lease.

32.21 The parties represent and warrant to each other that each has not dealt with any real estate agent other than Colliers International, as to Landlord, and The Staubach Company as to Tenant. Each agrees to indemnify and hold the other harmless from and against all loss, cost and expenses incurred by reason of the breach of such representation and warranty. Landlord shall be responsible for paying all commissions due, in accordance with the terms of a separate written agreement.

32.22 The terms of this Lease are confidential and constitute proprietary information of the parties. Neither party, nor its respective employees or agents, shall disclose the terms of this Lease to any other person without the prior written consent of the other party hereto, which consent may be withheld in such party's sole discretion. However, either party may disclose the terms of this Lease to its lenders, accountants and prospective transferees, provided that such lenders, accountants, and prospective transferees have a reasonable bona fide need to know such terms, and provided that the disclosing party ensures that such lenders, accountants and prospective transferees maintain the confidentiality of such terms. In addition, either party may disclose the terms of this Lease in litigation or other dispute resolution proceeding between Landlord and Tenant with respect to the Lease subject to the Lease being filed under seal if the filing of the document would otherwise make it publicly available and if the court approves of filing under seal, and: (i) pursuant to an order of a court of competent jurisdiction, provided that the disclosing party promptly notifies the other party of any motion to compel such disclosure and the disclosure order, and/or (ii) in order to comply with any applicable Securities Exchange Commission laws, rules or regulations, provided that the disclosing party notifies the other party of the fact that such disclosure will take place, subject, however, to the disclosing party in each of (i) and (ii), using commercially reasonable best efforts to limit the scope and extent of the disclosure.

32.23 The Addendum attached hereto is hereby made a part of this Lease.

See Addendum A-32.24-32.28.

WITNESS the signatures of the parties hereto, the day and year first above written.

LANDLORD:	TENANT:
GREENVILLE INVESTORS, L.P. By: Greenville Ventures, Inc. Title: General Partner	FORMFACTOR, INC., a Delaware corporation
By: /s/ William A. Drummond --- William A. Drummond	By: /s/ Jens Meyerhoff ---
Its: Vice President	Its: CFO ---
ADDRESS: 675 Hartz Avenue, Suite 300 Danville, CA 94526	ADDRESS: 2020 Research Drive Livermore, CA 94550

ADDENDUM TO LEASE

A-2.1 OPTIONS TO RENEW. Provided that no Event of Default by Tenant under this Lease exists as of the date of exercise of the applicable option or at the expiration of the initial term or preceding Option Term, and provided further that Tenant has not assigned this Lease, Tenant shall have the option to extend the initial lease term for four (4) additional, successive terms of five (5) years each (each, an "OPTION TERM"). Tenant shall exercise the option, if at all, by delivering to Landlord written notice of the exercise no sooner than fifteen (15) months nor later than twelve (12) months prior to the expiration of the initial Lease Term or preceding Option Term, as applicable. Tenant's right to exercise each option shall be conditioned upon Tenant delivering to Landlord with Tenant's notice of exercise, current financial reports which evidence that Tenant's financial condition on the date of exercise is equal to or better than Tenant's financial condition on the date of execution of this Lease. If Tenant's financial condition has declined in Landlord's business judgment, Landlord may refuse to accept Tenant's exercise unless Tenant agrees to provide a new Letter(s) of Credit with terms and amounts acceptable to Landlord in its business judgment to secure Tenant's obligations during the applicable Option Term.

All terms, provisions, conditions and covenants of this Lease shall remain in full force and effect during the Option Terms, provided that Tenant shall have no additional option periods and the Base Rent payable during the first Lease Year of each Option Term (and for increases during the Option Term, as applicable) shall be the market rate then prevailing as projected for the commencement of the applicable Option Term, for premises comparable in size, quality and location in comparable class R&D/Office buildings throughout the Tri-Valley/Livermore area taking into account all relevant factors (the "MARKET RENT"). Base Rent for the Option Term shall be determined prior to the commencement of the applicable Option Term in the following manner:

If Landlord and Tenant are unable to agree on the market rent within sixty (60) days after Tenant gives notice of its exercise of the Option Term, then Tenant shall have the right to revoke its exercise of the option by delivering written notice within ten (10) days following the expiration of such 60-day period. In the event of such revocation, Tenant shall forfeit all rights to thereafter exercise any option under this Lease and the Lease shall terminate at the end of the initial term, or then Option Term, as applicable. If Tenant does not revoke its exercise and elects to proceed with the determination of market rent, then the monthly Base Rent and Additional Rent payable during the Option Term shall be determined by appraisal in the following manner:

If Landlord and Tenant can agree on a single appraiser, then the rate set by such appraiser as set forth below shall be the Base Rent for the Option Term. If the parties cannot agree on a single appraiser, then each party, by giving written notice to the other party, shall appoint as an appraiser an experienced commercial real estate agent in the area in which the Premises are located. Said appointment shall be made within ten (10) days following the expiration of the sixty (60) day period aforesaid, and if one of the parties does not appoint an appraiser within that time, the single appraiser named shall be the sole appraiser and shall set the monthly Base Rent for the Option Term.

If the two appraisers are appointed as provided herein, each shall independently prepare an

estimate of the market rent within sixty (60) days. If the higher of the two estimates so determined is within ten percent (10%) of the lower estimate, then the monthly Base Rent to be paid by Tenant during the Option Term shall be the average of the amounts determined by the appraisers. If the difference between the two estimates exceeds ten percent (10%) of the lower one, the two appraisers shall select a third appraiser meeting the qualifications set forth hereinabove within ten (10) days thereafter who will likewise independently estimate the market rate within sixty (60) days after the appointment. The average of the two closest appraisals shall be set as the monthly Base Rent.

Each party shall pay the fees of the appraiser appointed by such party and the parties will share equally the fees of any third appraiser appointed pursuant to this Section A-2.1.

Notwithstanding the above, the Base Rent payable by Tenant during each Option Term shall be in addition to all Additional Rent and other sums and charges payable by Tenant under the terms of this Lease.

Tenant acknowledges that the options granted herein are personal to Tenant and may not be assigned with an assignment of this Lease except in connection with an assignment to an entity which controls, is controlled by or is under common control with Tenant (as defined in Article 20 of this Lease) or which is a successor to Tenant by merger, consolidation or sale of substantially all of Tenant's assets with Landlord's prior written consent, not to be unreasonably withheld.

A-4.7. HAZARDOUS SUBSTANCES. Landlord hereby represents that it has, prior to the date of this Lease, provided to Tenant copies of all environmental reports in its possession, regarding the presence of Hazardous Substances at the Center or upon, around or under Parcel 1. Except as specifically disclosed in the reports delivered to Tenant, Landlord represents and warrants that to its actual knowledge, Landlord does not know of any Hazardous Substances in the Center. Landlord shall indemnify, defend and hold Tenant harmless for any claims, costs or liabilities (collectively, "Claims") arising out of or relating to any breach or misrepresentation by Landlord of the foregoing representation and warranty. Landlord's confidentiality obligations under Section 4.7 and its indemnity obligations pursuant to this Section A-4.7 shall survive the termination of this Lease.

A-4.8 DECLARATION. Notwithstanding the provisions of Section 4.8, Landlord shall not amend the Declaration in a manner which (i) reduces the number of Tenant's exclusive parking spaces on parcel 1, (ii) restricts Tenant's permitted use described in Article 4, (iii) adversely and materially affects Tenant's access to or from Parcel 1 and Lawrence Road or South Front Road or (iv) increases the share of Common Area Costs assessed against Parcel 1 or Parcel 1's proportionate share of Shared Maintenance Costs, without the prior written consent of Tenant which shall not be unreasonably withheld or delayed.

A-9.3 REPAIRS BY TENANT. Notwithstanding the provisions of Section 9.4, except to the extent necessary due to damage caused by the negligence of Tenant, its employees, agents or contractors, Tenant shall have no obligation to replace the HVAC system or any other essential building system serving Building 1 (specifically excluding any special HVAC system for Tenant's operations in the Premises, such as the HVAC serving any "clean room", the replacement of which shall be at Tenant's sole cost and expense) within the last eighteen (18) months of the Term. If any such replacement is necessary, Landlord and Tenant shall mutually agree on the type of equipment to be installed and a commercially reasonable cost sharing arrangement which will take into account the number of years of the useful life of such equipment or system which will occur following the expiration of the Term. If Tenant subsequently exercises an option to extend the Lease, however, the replacement shall be at Tenant's sole option, cost and expense and within thirty (30) days after Tenant's exercise of the option, Tenant shall reimburse Landlord for all amounts previously paid by Landlord for the system replaced.

A-9.5. TENANT EQUIPMENT/IMPROVEMENTS. The equipment Tenant initially intends to install in the Premises is described on Exhibit C attached hereto. If landlord wishes to require removal of any Tenant Improvements, Landlord shall designate as a part of its approval pursuant to the terms of Exhibit C of the plans for Tenant's Work, any Tenant Improvements and/or Special Tenant Improvements (if any) or equipment which Landlord will require Tenant to remove at the expiration of the Term. In connection with any such required removal by Tenant, Tenant shall repair all damage caused by such removal.

A-12.2. DAMAGE OR DESTRUCTION. If the Premises is damaged to an extent greater than 75% of its replacement cost, and Landlord has given Tenant notice of its election to terminate the Lease pursuant to Section 12.2, this Lease shall terminate upon the expiration of thirty (30) days after receipt by Tenant of such notice unless Tenant shall elect, by notice to Landlord within such 30-day period, to repair or restore the Premises. If Tenant so elects, this Lease shall continue in full force and effect and Tenant shall proceed to make repairs and restoration as soon as reasonably possible and the rent shall be abated as provided in Section 12.5 of the Lease. Subject to the rights of Landlord's lender, the proceeds of Landlord's insurance allocable to Building 1 and available for rebuilding shall be deposited into a construction escrow for the purpose of rebuilding and periodically disbursed to Tenant pursuant to procedures mutually agreed to by Tenant, Landlord and Landlord's lender. All costs in excess of the escrowed insurance proceeds shall be paid by Tenant. Notwithstanding the foregoing, Tenant shall not have the right to elect to rebuild unless there are at least five (5) full Lease Years remaining on the term of its Lease.

A-26.1.NON-DISTURBANCE AGREEMENT. Landlord shall use commercially reasonable efforts to obtain an agreement from Landlord's existing construction lender prior to the Delivery date to not disturb Tenant's possession under this Lease so long as Tenant is not in default of its obligations hereunder.

A-32.15.RESTRICTION ON SALE. Notwithstanding the provisions of Section 32.15 of the Lease, during the term of this Lease and provided that Tenant is not then in default of this Lease beyond any applicable cure period, Landlord shall not sell Parcel 1 or Building 1 to an entity on Tenant's competitor list which is attached hereto as Exhibit I without Tenant's prior written consent, which may be withheld in Tenant's sole discretion.

A-32.24. RIGHT OF FIRST OFFER. If prior to the start of construction of Building 7, Landlord receives a letter of intent executed by a prospective purchaser or tenant of Building 7, and provided that Tenant is not then in default of this Lease beyond any applicable cure period, Landlord shall notify Tenant (the "OFFER NOTICE") in writing offering to sell/lease Building 7 to Tenant and designating Purchase Price and terms of a proposed sale or, with respect to a proposed lease, the Base Rent for the Building in its shell condition and the formula that Landlord will use to determine any increase in the Base Rent if any tenant improvements or allowance are required. Tenant shall have five (5) business days after receipt of the written Offer Notice to notify Landlord in writing that it agrees to purchase the Building on the terms in the Offer Notice or to lease the Building on the rental terms and for the term offered. If Tenant rejects Landlord's offer, or fails to respond within the 5-day period provided, Tenant's right of first offer shall expire. Further, once Landlord has commenced construction of Building 7, Tenant's right of first offer to purchase or lease shall expire.

A-32.25. BUILDING SALE NOTICE RIGHTS. Landlord shall provide written notice to Tenant the first time Landlord responds in writing to a new interested third party to purchase Buildings 1 and/or 7, provided that Tenant is not then in default of this Lease beyond any applicable cure period. Landlord shall only be required to notify Tenant of third party interest one time with respect to each Building. Tenant shall have five (5) days to indicate its interest in negotiating a sale. Landlord may negotiate concurrently with Tenant and interested third party(ies). Landlord's obligation to notify Tenant as described herein shall in no way obligate Landlord to sell Buildings 1 or 7 to Tenant. Tenant's notice rights shall expire upon Landlord's execution of a sale agreement with a third party.

A-32.26. PARKING. Parcel 1 has been allocated 155 parking stalls assuming that roll-up doors are not required by Tenant. Throughout the Term of the Lease, all parking on Parcel 1 shall be for Tenant's exclusive use. Tenant is also leasing from Landlord the buildings designated as "Building 2", "Building 3" and "Building 5" on Exhibit A. So long as Tenant's lease of Building 2 is in effect, Tenant may use a portion of the parking spaces on Parcel 2 in connection with its use of Building 1, so long as the Tenant's lease of Building 3 is in effect, Tenant may use a portion of the parking spaces on Parcel 3 in connection with its use of Building 1 and so long as the Tenant's lease of Building 5 is in effect, Tenant may use a portion of the parking spaces on Parcel 5 in connection with its use of Building 1.

A-32.27 SIGNAGE. All of Tenant' s signage at the Premises and Parcel 1 must be in accordance with the City-approved master sign program for the Center. The program provides 2' x 16' signage areas at each entry structure and a 2'6" x 5'0" signage area on a monument at the street in front of

each building. Tenant's corporate logo and trade style are permitted to be used in accordance with the parameters of the sign program. Any additional signage outside the scope of the master signage program shall be subject to the approval of the Landlord (which shall not be unreasonably withheld) and the City of Livermore. Subject to City and Landlord's approval, Landlord shall permit Tenant to install a temporary sign or banner in the Center, in a location approved by Landlord, announcing the Center as Tenant's new headquarters location.

A-32.28 USE OF ROOF. Tenant acknowledges that Landlord has reserved the right to use the roof of Building 1, including the right to lease or license its use. Tenant and no employee or invitee of Tenant shall go upon the roof of the Building, except as otherwise expressly provided herein.

Tenant shall have the exclusive right to use 50% of the total area of the roof, in location(s) designated by Landlord and reasonably approved by Tenant, to install a satellite dish or cluster of dishes and ancillary telecommunications equipment in connection with Tenant's business operations. Tenant's roof use shall be on the following terms and conditions set forth herein. Subject to Applicable Laws, Tenant shall have the right to install or cause to be installed rooftop equipment ("ROOFTOP EQUIPMENT") pursuant to plans and specifications which shall be subject to Landlord's prior written approval, which shall not be unreasonably withheld or delayed on the roof of the Building, in a location as Landlord and Tenant may mutually agree. There shall be no additional charge payable by Tenant to Landlord for the use of such area or for the installation of the Rooftop Equipment. If the Rooftop Equipment is to be installed on the roof, Tenant shall notify Landlord in writing that the Rooftop Equipment is to be installed on the roof. Tenant shall be solely responsible for complying with (or causing its vendor to comply with) the requirements of such roof warranty or roof bond in connection with the installation, maintenance, repair, replacement or removal of the Rooftop Equipment. Tenant shall repair any damage to the roof caused by the installation, maintenance, repair, replacement or removal of the Rooftop Equipment. Landlord shall permit Tenant reasonable access to the designated area as reasonably necessary to install, maintain and remove the Rooftop Equipment, and Tenant shall indemnify Landlord and be solely responsible, at Tenant's cost and expense, for the maintenance and repair of the Rooftop Equipment, and Landlord shall have no responsibility with respect thereto unless the same was made necessary by the negligence or willful act of Landlord or Landlord's Agents. Tenant hereby agrees to defend, indemnify and hold Landlord harmless form any mechanics or materialmen's liens upon the Premises or the Center which result from work associated with the installation of the Rooftop Equipment. Tenant shall obtain all licenses or approvals required to install and operate the Rooftop Equipment. The Rooftop Equipment shall remain the property of Tenant and upon expiration of the Lease, Tenant shall remove the Rooftop Equipment and repair the Premises and any damage to the area upon which the Rooftop Equipment was located to the original condition, normal wear and tear excepted. Landlord shall have the right to request that Tenant relocate the Rooftop Equipment, if necessary, at Landlord's sole cost and expense to facilitate Landlord's use of the roof. Tenant covenants that the Rooftop Equipment will be installed, maintained and removed in accordance with all Applicable Requirements. Tenant shall be responsible for all damage caused by the installation, maintenance, repair and/or removal of Tenant's Rooftop Equipment. Tenant's access to the roof to exercise its rights hereunder shall be subject to Landlord's prior approval, which shall not be unreasonably withheld, provided that Tenant exercises such access rights in a manner that does not void any roof warranty. Tenant's Rooftop Equipment shall not interfere with the operation of any existing roof top equipment which has been installed on the portion of the roof used by Landlord. Landlord shall not install or permit the installation of any rooftop equipment which will interfere with any Rooftop Equipment for which Tenant has submitted installation plans to Landlord or which Tenant has previously installed on the portion of the roof for Tenant's use.

EXHIBIT A

SITE PLAN

EXHIBIT B

CENTER LEGAL DESCRIPTION AND PLAT MAP

REAL PROPERTY IN THE City of Livermore, County of Alameda, State of California, described as follows:

Parcels 1 through 8 as shown on Parcel Map No. 7624, filed December 12, 2000, in Book 254 of Maps at Pages 73 through 82, Alameda County Records.

EXHIBIT C

WORK LETTER

This Work Letter sets forth the terms and conditions relating to the construction of the Premises.

SECTION 1

INITIAL CONSTRUCTION OF THE BUILDING AND THE PREMISES

1.1 BASE BUILDING. Landlord shall construct the "BASE BUILDING" at Landlord's sole cost and expense; provided that any modifications to the Base Building required by the Tenant Improvement Work described below shall be deemed to be Tenant Improvements. The Base Building shall be constructed in accordance with the plans for such improvements listed on the plan list attached as Schedule 1 to this Exhibit C (the "PLAN LIST"). The Base Building shall include without limitation:

a. Fully enclosed tilt-up concrete building(s) with 5" thick concrete slab and grade doors as shown on the construction drawings;

b. Water and gas service stubbed into Building;

c. A sanitary sewer gut line as shown on the construction drawings;

d. 2000 amp, 480/277 volt, 3 phase electrical service with main switch in the electrical room;

e. Four (4) 4" telephone conduits and 8' x 8' plywood terminal board in the electrical room; and

f. Fire sprinklers at roof to meet Legal Requirements for the Building shell.

1.2 PARCEL 1 IMPROVEMENTS. Landlord shall construct the site improvements on Parcel 1 at Landlord's sole cost and expense in accordance with the plans for such improvements listed on the Plan List. The site improvements shall include, without limitation: site concrete, asphalt paving, striping, exterior lighting, site utilities and landscaping.

1.3 TENANT IMPROVEMENTS. Except for improvements to be constructed by Tenant as part of Tenant's Work described below, Landlord shall construct the "TENANT IMPROVEMENTS" required by Tenant for the Premises as set forth in Approved Tenant Improvement Plans described in Section 2.4 below. Landlord will disburse the Tenant Allowance described in Section 3 below to pay for the Tenant Improvement Costs (defined hereafter). All costs in excess of the Tenant Allowance shall be paid by Tenant as provided in Section 3. As used in this Lease, Tenant Improvements includes all improvements to the Building which are described in the Approved Tenant Improvement Plans.

1.4 LANDLORD'S WORK. "LANDLORD'S WORK" shall mean all work to be constructed by Landlord described in Sections 1.1, 1.2 and 1.3 above.

1.5 TENANT'S WORK. "TENANT'S WORK" will include installing all communications and information cabling and equipment required by Tenant and providing the required furnishings, fixtures and equipment for Tenant's use of the Premises.

1.6 SPECIAL TENANT IMPROVEMENTS. To expedite the construction of the Tenant Improvements, Tenant acknowledges and agrees that Landlord may amend its construction contract for the Base Building to include certain plumbing and sprinkler work, and such additional work as may be mutually agreed upon in writing by Landlord and Tenant, which are Tenant Improvement items ("SPECIAL TENANT IMPROVEMENTS"). Special Tenant Improvements shall be considered Tenant Improvements for all purposes of this Lease except they will not be

included in the "Construction Contract" for the Tenant Improvements described in Section 3.1.

SECTION 2

TENANT IMPROVEMENT PLANS

2.1 ARCHITECT/CONSTRUCTION PLANS. Tenant has retained CAS Architects, Inc. (the "ARCHITECT") to prepare the construction plans for all Tenant Improvements to be constructed in the Premises. Landlord's contractor (the "CONTRACTOR") will contract with design/build subcontractors to prepare working drawings relating to the HVAC, electrical, plumbing, life safety, and sprinkler work to be included in the Tenant Improvements. The final working plans and drawings to be prepared by Architect and Contractor's design/build subcontractors hereunder shall be known collectively as the "TENANT IMPROVEMENT PLANS". The scope, form and content of all plans and drawings shall be discussed in reasonable detail at each of the weekly meetings held pursuant to the terms of Section 2.6 below. All Tenant Improvement Plans shall be in a form suitable for bidding and construction by qualified contractors, shall meet the requirements of the City of Livermore, and shall be subject to Landlord's approval, which shall not be unreasonably withheld. Tenant and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the Base Building Plans, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Landlord's review of the Tenant Improvement Plans as set forth in this Section 2, shall be for its sole purpose and shall not obligate Landlord to review the same, for quality, design, Code compliance or other like matters. Accordingly, notwithstanding that any Tenant Improvement Plans are reviewed by Landlord or its architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Tenant Improvement Plans, and Tenant's waiver and indemnity set forth in Section 16 of this Lease shall specifically apply to the Tenant Improvement Plans.

2.2 FINAL DESIGN DRAWINGS. On or before the date set forth in construction schedule attached hereto as Schedule 2 (the "CONSTRUCTION SCHEDULE"), Tenant and the Architect shall prepare the final design drawings and specifications for Tenant Improvements in the Premises (collectively, the "FINAL DESIGN DRAWINGS"), which Final Design Drawings shall include a layout and designation of all offices, rooms and other partitioning, their intended use, and equipment to be contained therein to the extent that such equipment affects the mechanical or electrical design of the Premises, and shall deliver the Final Design Drawings to Landlord for Landlord's approval. Landlord's approval of such drawings shall not be unreasonably withheld or delayed. The Final Design Drawings submitted to Landlord: (i) shall provide for interior improvements only, the design of which shall be reasonably consistent with the space plan attached hereto as Schedule 3; (ii) shall provide for the use of readily available commercial building materials; (iii) shall include mechanical and electrical performance specifications for use as design criteria, and (iv) shall be reasonably sufficient for bidding by design/build subcontractors with a reasonable level of experience in the industry. If the Final Design Drawings delivered to Landlord by Tenant do not meet all of the foregoing criteria, Landlord may proceed to establish a Tenant Delay (as defined in Section 4.1).

2.3 FINAL WORKING DRAWINGS. On or before the relevant date set forth in Construction Schedule, Tenant, the Architect and Contractor's design/build subcontractors shall complete the Tenant Improvement Plans for the Premises, in a commercially reasonable and customary form which is reasonably sufficient to allow subcontractors to bid on the work and to obtain all permits required for the construction of the Tenant Improvements (the "PERMITS") and shall submit the same to Landlord for Landlord's approval. The Final Working Drawings shall be approved by Landlord (the "APPROVED TENANT IMPROVEMENT PLANS") within five 5 business days after Landlord receives the same from Tenant. If Landlord believes that the plans submitted are insufficient, Landlord may proceed to establish a Tenant Delay pursuant to Section 4 hereof.

2.4 PERMITS. In order to expedite the permitting process, prior to Landlord's approval pursuant to Section 2.3 above, Tenant may submit the Final Working Drawings to the appropriate municipal authorities for all Permits necessary to allow Landlord's contractor to commence and fully complete the construction of the Tenant Improvements. Notwithstanding the foregoing, Tenant acknowledges that Landlord does not waive the right to approve the Final Working Drawings and by electing to submit the Final Working Drawings for permit prior to

Landlord's approval, Tenant is assuming the risk that Landlord may require changes in such drawings after the same have been submitted for permits. In connection with the permitting process, Tenant shall coordinate with Landlord in order to allow Landlord, at its option, to take part in all phases of the permitting process and shall supply Landlord, as soon as possible, with all plan check numbers and dates of submittal and obtain the Permits on or before the date set forth in the Construction Schedule. Notwithstanding anything to the contrary set forth in this Section 2.4, Tenant hereby agrees that neither Landlord nor Landlord's consultants shall be responsible for obtaining any building permit for the Tenant Improvements and that the obtaining of the same shall be Tenant's responsibility (provided that Contractor shall submit its license number with the plans and shall also submit proof of liability insurance if required by the City of Livermore); further, Landlord shall, in any event, cooperate with Tenant in executing permit applications and performing other ministerial acts reasonably necessary to enable Tenant to obtain any such permits. No changes, modifications or alterations in the Approved Tenant Improvement Plans may be made without the prior written consent of Landlord, which shall not be unreasonably withheld, provided that if a proposed change would directly or indirectly delay the "SUBSTANTIAL COMPLETION" of Landlord's Work as that term is defined in Article 8 of the Lease, Landlord may proceed to establish a Tenant Delay pursuant to Section 4 hereof.

2.5 CONSTRUCTION SCHEDULE. Tenant shall use its best, commercially reasonable efforts and all due diligence to cause its Architect to complete all phases of the Tenant Improvement Plans and the permitting process and to receive the Permits. The applicable dates for approval of items, plans and drawings as described in this Section 2 are set forth in the Construction Schedule, attached hereto. If Tenant fails to comply with the deadlines set forth in Paragraphs A and/or C of the Construction Schedule, Landlord may proceed to establish a Tenant Delay pursuant to Section 4.1 hereof.

2.6 MEETINGS. Commencing upon the execution of this Lease, Landlord and Tenant shall hold weekly meetings at a reasonable time with the Architect and Contractor regarding the preparation of the Tenant Improvement Plans and the completion of Landlord's Work and Tenant's Work. Upon Landlord's request, certain of Tenant's Agents shall attend such meetings. Such meetings shall include a detailed review of the plans, drawings and specifications prepared to date and all participants in the meeting shall make a good faith effort to raise any issues or concerns they may have regarding the scope, form or content of any plan submitted.

2.7 CHANGE ORDERS. If, following Landlord's approval of the Approved Tenant Improvement Plans, Tenant wishes to change to such Approved Tenant Improvement Plans, Tenant shall deliver written notice to Landlord setting forth the requested change (a "CHANGE REQUEST"). Within five (5) business days following receipt of Tenant's Change Request, Landlord shall provide Tenant with (x) Landlord's good faith determination of the increased costs which are reasonably expected to result from such Change Request and (y) Landlord's good faith estimate of the Tenant Delay which is estimated to occur due to the work described in the change request. Tenant shall then have three (3) business days to approve the costs and Tenant Delay expected to result from the Change Request and, upon such approval by Tenant, Tenant shall deliver written notice requesting that the Approved Tenant Improvement Plans be modified ("CHANGE ORDER").

SECTION 3

COSTS OF THE TENANT IMPROVEMENTS

3.1 COST PROPOSAL. After the Approved Tenant Improvement Plans are signed by Landlord and Tenant, Landlord shall provide Tenant with a cost proposal for the Tenant Improvements described in such plans, which cost proposal shall include, as nearly as possible, the cost of all Tenant Allowance Items to be incurred by Landlord and Tenant in connection with the design and construction of the Tenant Improvements and Special Tenant Improvements and Landlord's estimate of the other Landlord's costs payable by Tenant pursuant to Section 3.5. To prepare such proposal Landlord's contractor for the Tenant Improvements shall solicit bids from a minimum of three (3) subcontractors reasonably approved by Tenant and Landlord for each major trade on an "OPEN BOOK" basis. Contractor's combined general conditions, profit and overhead for the construction shall be 8% of the cost. If the actual cost of such Tenant Improvements and Special Tenant Improvements set forth in the Cost Proposal exceeds the Tenant Improvement Allowance, the excess (the "OVER-ALLOWANCE AMOUNT") shall be approved by Tenant within three (3) business days, Tenant shall have the right to revise the Tenant Improvement Plans to reduce the

Over-Allowance Amount and Landlord may proceed to establish a Tenant Delay pursuant to Section 4.1 for any delays resulting from the revision process. After the Cost Proposal has been approved by Tenant, Landlord will enter into a Guaranteed Maximum Price Contract, AIA Form A-111, 1997 ("the "CONSTRUCTION CONTRACT ") with Contractor designating the approved Cost Proposal amount as the Guaranteed Maximum Price, for the work described in the Approved Tenant Improvement Plans, subject to the other standard terms and conditions of the form contract.

3.2 TENANT IMPROVEMENT ALLOWANCE. Tenant shall be entitled to a one-time tenant improvement allowance (the "TENANT IMPROVEMENT ALLOWANCE") in the total amount set forth in Paragraph 1(h) of this Lease for the costs relating to the initial design and construction of the Tenant's Improvements. In no event shall Landlord be obligated to make disbursements pursuant to this Work Letter in a total amount which exceeds the Tenant Improvement Allowance.

3.3 DISBURSEMENT OF THE TENANT IMPROVEMENT ALLOWANCE. Except as otherwise set forth in this Work Letter, the Tenant Improvement Allowance shall be disbursed by Landlord for the costs of construction of the Tenant Improvements pursuant to the Construction Contract and for the following items and costs (collectively, the "TENANT ALLOWANCE ITEMS"):

A. All space planning fees, architectural and engineering fees, government fees incurred by Tenant or incurred by Landlord and reasonably approved by Tenant;

B. The payment of plan check, permit and license fees relating to construction of the Tenant Improvements;

C. The cost of any changes in the Base Building when such changes are required by the Tenant Improvement Plans, such cost to include all direct architectural and/or engineering fees and expenses incurred in connection therewith;

D. The cost of any changes to the Tenant Improvement Plans or Tenant Improvements required by Code;

E. The cost of the Special Tenant Improvements; and

F. A Landlord coordination fee for Building 1 of Twenty Two Thousand ($22,000).

3.4 OVER-ALLOWANCE AMOUNT. After Tenant has approved any Over-Allowance Amount pursuant to Section 3.1 above, Tenant shall pay to Landlord the Over-Allowance Amount in equal monthly installments in advance over the projected 4-month period of Landlord's construction of the Tenant Improvements, with the first installment payable prior to and as a condition of Landlord's obligation to commence construction of the Tenant Improvements. The Over-Allowance Amount shall be disbursed by Landlord pursuant to the same procedure as the Tenant Improvement Allowance, which procedure shall provide for the retention of ten (10%) of all construction funds until the construction of the Tenant Improvements has been completed. In the event that, after the Cost Proposal is prepared, any revisions, changes, or substitutions shall be made to the Approved Tenant Improvement Plans or the Tenant Improvements pursuant to Tenant's Change Order request, and provided that Landlord has approved the same, any additional costs which arise in connection with such revisions, changes or substitutions or any other additional costs shall be paid by Tenant to Landlord in advance equal monthly installments over the construction period remaining as an addition to the Over-Allowance Amount.

3.5 OTHER LANDLORD COSTS. Tenant shall also be responsible for the payment of (i) the fees incurred by Landlord for Landlord's consultants in connection with design drawing review and routine construction support related to the Tenant Improvements, (ii) the cost of documents and materials supplied by Landlord and Landlord's consultants, and (iii) all other verifiable, directly related costs, such as blueprint costs and delivery, fax and copy charges incurred by Landlord and Landlord's consultants related to the design/routine construction support of the Tenant Improvements. The Cost Proposal submitted to Tenant pursuant to Section 3.1 above shall include

Landlord's estimate of the foregoing costs. The Tenant Improvement Allowance will not be used to pay the foregoing costs. Tenant shall pay such costs to Landlord from time to time within ten (10) days after receipt from Landlord of statements of such expenses.

3.6 MONTHLY REPORTS. Landlord shall deliver to Tenant on a monthly basis during the period of construction of the Tenant Improvements the following: (i) a report showing the schedule, by trade, of percentage of completion of the Tenant Improvements in the Premises and detailing the portion of the work completed and the portion not completed; (ii) invoices from Landlord's Contractor for labor rendered and materials delivered to the Premises; and (iii) all other information reasonably requested by Tenant.

SECTION 4

TENANT DELAYS

4.1 TENANT DELAYS. As used in this Lease, the term "TENANT DELAY" shall mean the period of an actual delay or delays in the Substantial Completion of Landlord's Work or in the occurrence of any of the other conditions precedent to the Delivery Date, as set forth in Article 8 of the Lease, to the extent resulting from:

a. Tenant's failure to apply to the City for Permits for the Tenant Improvement Plans by the date set forth in Paragraph C of the Construction Schedule;

b. Tenant's failure to approve any matter requiring Tenant's approval within the time period specifically provided in this Work Letter for such approval;

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

d. Changes in the Approved Tenant Improvement Plans required because the same do not comply with Code or other applicable laws;

e. Tenant's Change Orders;

f. Tenant's specification in the Tenant Improvement Plans of materials, components, finishes or improvements which are not available in a commercially reasonable time period given the anticipated date of Substantial Completion of the Premises, as set forth in the Construction Schedule;

g. Changes to the Base Building work described in the Plan List required by the Approved Tenant Improvement Plans; or

h. Any other acts or omissions of Tenant, or its agents, or employees,

Landlord shall provide prompt (within 48 hours of becoming aware of any such delay) written notice to Tenant ("DELAY NOTICE") specifying the action or inaction which Landlord contends constitutes a Tenant Delay hereunder. The period of delay, however, shall commence to run on the date of the action or inaction and not on the date of the Delay Notice. To the extent an action or inaction by Tenant specified in any Delay Notice constitutes a Tenant Delay as defined above and actually results in a delay in the Substantial Completion of the Premises (after taking into account any delays resulting from Landlord Delays and/or Force Majeure Delays described below), a Tenant Delay shall be deemed to have been established and on the Delivery Date Tenant shall pay to Landlord an amount equal to one day's Rent for each day of Tenant Delay.

4.2 TENANT'S LEASE DEFAULT. Notwithstanding any provision to the contrary contained in this Lease: (i) if an Event of Default as described in Article 25 of the Lease has occurred; or (ii) a default by Tenant under this Work Letter has occurred at any time on or before the substantial completion of Landlord's Work and Tenant fails to remedy the default within such 48 hours after written notice from Landlord, then Landlord may thereafter: (x) in

addition to all other rights and remedies granted to Landlord pursuant to the Lease, Landlord shall have the right to withhold payment of all or any portion of the Tenant Improvement Allowance and/or Landlord may cause Contractor to cease the construction of the Premises (in which case, Tenant shall be responsible for any Tenant Delay resulting from such work stoppage as set forth in Section 4.1 above of this Work Letter), and (y) all other obligations of Landlord under the terms of this Work Letter shall be deferred until such time as such default is cured pursuant to the terms of the Lease.

4.3 LANDLORD DELAY. As used herein, "LANDLORD DELAY" shall mean: (i) any actual delay in the completion of the work Tenant is required to perform hereunder which results from any failure of Landlord to act or provide approvals within five (5) business days; or (ii) the actual delay in the Substantial Completion of Landlord's Work due to any failure of Landlord, its agents, employees or contractors to perform the Base Building work or other work required to be provided by Landlord hereunder in compliance with the terms hereof and in compliance with applicable laws, rules and regulations or due to any other acts or omissions of Landlord, or its agents, or employees. Without limiting the generality of the foregoing, if Tenant has submitted its Final Design Drawings to Landlord in the form required by Section 2.2 above by the date set forth in Paragraph A of the Construction Schedule, the failure of Contractor's design/build contractors to complete their plans by the date set forth in Paragraph B on the Construction Schedule, for any reason other than a Tenant Delay, shall constitute a Landlord Delay for purposes hereof. Tenant shall provide prompt (within 48 hours of becoming aware of any such delay) written notice to Landlord ("Delay Notice") specifying the action or inaction which Tenant contends constitutes a Landlord Delay hereunder. The period of delay, however, shall commence to run on the date of the action or inaction and not on the date of the Delay Notice.

4.4 FORCE MAJEURE DELAYS. The term "FORCE MAJEURE DELAYS" shall mean delays caused by any event of force majeure described in Section 32.8 of the Lease and shall also include any time period in excess of six weeks between the date that Tenant submits the Final Design Drawings to the City of Livermore for Permits and the date the Permits are issued, unless the delay in issuing Permits is due to a Tenant Delay.

4.5 SUBSTANTIAL COMPLETION. The date set forth in the Construction Schedule for Landlord's Substantial Completion shall be extended for the period of any Tenant Delays and Force Majeure Delays.

SECTION 5

MISCELLANEOUS

5.1 TENANT'S REPRESENTATIVE. Tenant has designated Greg Gehlen and Dennis Rhett as its sole representatives with respect to the matters set forth in this Work Letter, each of whom, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Work Letter.

5.2 LANDLORD'S REPRESENTATIVE. Landlord has designated William Drummond as its sole representative with respect to the matters set forth in this 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 Work Letter.

5.3 TIME OF THE ESSENCE. Time is of the essence in this Work Letter. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days.

SCHEDULE 1

PLAN LIST - BUILDING 1

ARCHITECTURAL - ALL DRAWINGS DATED 9-14-00 CONSTRUCTION SET

A0.1	Title Sheet		
A0.2	Title 24 ADA Notes		
A0.3	General Notes		
A1.1	Overall Site Plan		
A1.2	Enlarged Site Plan		
A2.2	Building One: Floor Plan		
A3.2	Building One: Roof Plan		
A4.2	Building One: Exterior Elevations		
A5.1	Building Sections		
A5.2	Wall Sections		
A5.3	Wall Sections		
A6.1	Enlarged Floor Plans and Exterior Elevations		
A8.1	Door Schedule		
A9.1	Details		
A9.2	Details		
A9.3	Details		
A9.4	Details		

STRUCTURAL - DRAWINGS DATED 8-31-00 4TH PLAN CHECK SUBMITTAL, UNLESS OTHERWISE NOTED

SD-0	General Notes		
SD-1	Foundation Plan		
SD-2	Panel at Footing Details		
SD-3	Panel Details		
SD-4	Roof Details	7-28-00	2nd Plan Check Submittal
SD-5	Chevron Brace Details	7-28-00	2nd Plan Check Submittal
SD-6	Miscellaneous Details	7-28-00	2nd Plan Check Submittal
2S-1	Foundation Plan		
2S-2	Roof Framing Plan		
2S-3	Nailing Diagram		
2S-4.1	Panel Elevations		
2S-4.2	Panel Elevations		

PLUMBING - ALL DRAWINGS DATED 6-16-00 ADDENDUM 1

P0.1	Legend Notes & Schedule		
P2.02	Building One Floor Plan		
P2.32	Building One Roof Plan		

ELECTRICAL

E0.1	Legend Notes & Schedule	6-16-00	Addendum 1
E1.0	Site Plan Utilities	11-02-00	Addendum 6
E1.1	Site Plan Exterior Lighting	9-27-00	Addendum 5
E2.01	Building 1 Floor Plan	7-28-00	2nd Plan Check Submittal
E6.1	Single Line Diagram and Details	7-28-00	2nd Plan Check Submittal

LANDSCAPE - ALL DRAWINGS DATED 2-7-01 MISCELLANEOUS REVISIONS

L-1 Layout and Mounding Plan
L-2 Irrigation Plan
L-3 Planting Plan
L-4 Legend and Notes
L-5 Details

CIVIL - ALL DRAWINGS DATED 11-13-00 BULLETIN 2

C-1 Cover Sheet
C-2 Topographic Survey
C-3 Grading and Drainage Plan - Phase I
C-4 Utility Plan - Phase I
C-5 Driveway and Entry Details
C-6 Sections and Standard Details
C-7 City Standard Details
C-8 Erosion Control Plan - Phase I

C-9 PHASE 2 BORROW AREA

SCHEDULE 2

CONSTRUCTION SCHEDULE

Dates	Actions to be Performed
A. April 19, 2001	Final Design Drawings to be completed by Tenant and delivered to Landlord.
B. May 23, 2001	Completion of Drawings by Contractor's design/build contractors
C. May 25, 2001	Tenant to deliver Final Approved Tenant Improvement Plans to the City with application for Permits
D. July 8, 2001	Tenant to deliver Permits to Contractor.
E. November 8, 2001	Substantial Completion of Landlord's Work

SCHEDULE 3

SPACE PLAN OF THE PREMISES

EXHIBIT D

LETTER OF CREDIT

LETTER OF CREDIT NO.
IRREVOCABLE STANDBY LETTER OF CREDIT

PLACE AND DATE OF ISSUE:

ACCOUNT PARTY: FORMFACTOR, INC., 2020 RESEARCH DRIVE, LIVERMORE, CALIFORNIA 94550

BENEFICIARY: GREENVILLE INVESTORS, L.P., 675 HARTZ AVENUE, SUITE 300, DANVILLE, CALIFORNIA 94526

AMOUNT: $_____

EXPIRY DATE AND PLACE FOR PRESENTATION OF DOCUMENTS: [12 MONTHS FROM ISSUE DATE] IMPERIAL BANK INTERNATIONAL DIVISION, 2015 MANHATTAN BEACH BLVD., 2nd FLR., REDONDO BEACH, CA 90278

CREDIT IS AVAILABLE WITH IMPERIAL BANK INTERNATIONAL DIVISION AGAINST PAYMENT OF DRAFTS DRAWN AT SIGHT ON IMPERIAL BANK INTERNATIONAL DIVISION, 2015 MANHATTAN BEACH BLVD., 2nd FLR., REDONDO BEACH, CA 90278

DOCUMENTS REQUIRED:

1. THE ORIGINAL OF THIS STANDBY LETTER OF CREDIT AND AMENDMENTS) IF ANY.

2. BENEFICIARY'S STATEMENT DATED AND PURPORTEDLY SIGNED BY AN AUTHORIZED REPRESENTATIVE CERTIFYING THAT A DEFAULT HAS OCCURRED UNDER ONE OR MORE OF THE TERMS OF THAT CERTAIN LEASE AGREEMENT DATED 2001 THAT EXISTS BETWEEN FORMFACTOR, INC. AND BENEFICIARY (THE "LEASE") AND ANY APPLICABLE CURE PERIOD HAS LAPSED WITHOUT REMEDY.

SPECIAL CONDITIONS:

ALL INFORMATION REQUIRED WHETHER INDICATED BY BLANKS, BRACKETS OR OTHERWISE, MUST BE COMPLETED AT THE TIME OF DRAWING.

ALL SIGNATURES MUST BE MANUALLY EXECUTED ORIGINALS.

UPON RECEIPT OF THE DOCUMENTATION REQUIRED, WE WILL HONOR BENEFICIARY'S DRAWS AGAINST THIS IRREVOCABLE STANDBY LETTER OF CREDIT WITHOUT INQUIRY INTO THE ACCURACY OF BENEFICIARY'S SIGNED STATEMENT AND REGARDLESS OF WHETHER ACCOUNT PARTY DISPUTES THE CONTENT OF THAT STATEMENT.

PARTIAL DRAWINGS MAY BE MADE UNDER THIS LETTER OF CREDIT, PROVIDED, HOWEVER, THAT EACH SUCH DEMAND THAT IS PAID BY US SHALL REDUCE THE AMOUNT AVAILABLE UNDER THIS LETTER OF CREDIT.

IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL BE DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR PERIODS FROM

THE PRESENT EXPIRATION DATE HEREOF, UNLESS AT LEAST SIXTY (60) DAYS PRIOR TO ANY SUCH DATE, WE SHALL NOTIFY YOU IN WRITING BY CERTIFIED MAIL OR COURIER SERVICE AT THE ABOVE LISTED ADDRESS THAT WE ELECT NOT TO CONSIDER THIS IRREVOCABLE LETTER OF CREDIT EXTENDED FOR ANY SUCH ADDITIONAL PERIOD. UPON RECEIPT BY YOU OF SUCH NOTICE, YOU MAY DRAW HEREUNDER BY MEANS OF YOUR DRAFTS) ON US AT SIGHT ACCOMPANIED BY YOUR ORIGINAL SIGNED STATEMENT WORDED AS FOLLOWS: [BENEFICIARY] HAS RECEIVED NOTICE FROM IMPERIAL BANK THAT THE EXPIRATION DATE OF LETTER OF CREDIT NO. [INSERT L/C NO.] WILL NOT BE EXTENDED FOR AN ADDITIONAL PERIOD. AS OF THE DATE OF THIS DRAWING, [BENEFICIARY] HAS NOT RECEIVED A SUBSTITUTE LETTER OF CREDIT OR OTHER INSTRUMENT ACCEPTABLE TO [BENEFICIARY] AS SUBSTITUTE FOR IMPERIAL BANK LETTER OF CREDIT NO. [INSERT L/C NO.] AND THE PROCEEDS OF THIS DRAWING WILL BE APPLIED AND HELD AS A CASH SECURITY DEPOSIT PURSUANT TO THE TERMS OF THE LEASE.

NOTWITHSTANDING THE ABOVE, THE FINAL EXPIRATION DATE SHALL BE [SPECIFY DATE SIXTY (60) DAYS AFTER EXPIRATION DATE OF INITIAL TERM]

THIS LETTER OF CREDIT IS TRANSFERABLE SUCCESSIVELY IN WHOLE ONLY UP TO THE THEN AVAILABLE AMOUNT IN FAVOR OF ANY NOMINATED TRANSFEREE THAT IS THE SUCCESSOR IN INTEREST TO BENEFICIARY OR IS THE NEW OWNER OF CERTAIN STATED PROPERTY ("TRANSFEREE"), ASSUMING SUCH TRANSFER TO SUCH TRANSFEREE IS IN COMPLIANCE WITH THE THEN APPLICABLE LAW AND REGULATIONS, AT THE TIME OF TRANSFER, THE ORIGINAL STANDBY L/C AND AMENDMENTS, IF ANY, MUST BE SURRENDERED TO US TOGETHER WITH OUR TRANSFER FORM AS PER ANNEX "A" ATTACHED HERETO, WHICH FORMS AN INTEGRAL PART OF THIS LETTER OF CREDIT AND PAYMENT OF OUR TRANSFER COMMISSION.

APPLICANT WILL PAY THE TRANSFER FEES FOR THE FIRST TRANSFER ONLY.

ALL DRAFTS AND DOCUMENTS REQUIRED UNDER THIS LETTER OF CREDIT MUST BE MARKED: "DRAWN UNDER IMPERIAL BANK LETTER OF CREDIT NO. [INSERT L/C NO.]."

ALL DOCUMENTS ARE TO BE DISPATCHED IN ONE LOT BY COURIER SERVICE TO IMPERIAL BANK INTERNATIONAL DIVISION, 2015 MANHATTAN BEACH BLVD., 2nd FLR., REDONDO BEACH, CA 90278.

THIS LETTER OF CREDIT SETS FORTH IN FULL THE TERMS OF OUR UNDERTAKING AND SUCH UNDERTAKING SHALL NOT BE IN ANY WAY MODIFIED, AMENDED OR AMPLIFIED BY REFERENCE TO ANY DOCUMENT, INSTRUMENT OR AGREEMENT REFERRED TO HEREIN OR IN WHICH THIS LETTER OF CREDIT IS REFERRED TO OR TO WHICH THIS LETTER OF CREDIT RELATES, AND ANY SUCH REFERENCE SHALL NOT BE DEEMED TO INCORPORATE HEREIN BY REFERENCE ANY DOCUMENT, INSTRUMENT OR AGREEMENT.

WE HEREBY ENGAGE WITH YOU THAT ALL DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS CREDIT WILL BE DULY HONORED IF DRAWN AND PRESENTED FOR PAYMENT AT THIS OFFICE ON OR BEFORE THE EXPIRATION DATE OF THIS CREDIT.

EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED HEREIN, TI [IS CREDIT IS SUBJECT TO THE "UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS"(1993 REVISION) INTERNATIONAL CHAMBER OF COMMERCE (PUBLICATION NO. 500).

TRANSFER FORM ANNEX "A"
WHICH FORMS AN INTEGRAL PART TO IMPERIAL BANK STANDBY LETTER OF CREDIT NO.
[INSERT L/C NO.].

TO: IMPERIAL BANK

_____
_____ DATE: _____

FOR VALUE RECEIVED, THE UNDERSIGNED BENEFICIARY HEREBY IRREVOCABLY TRANSFERS ALL RIGHTS UNDER THE ABOVE MENTIONED LETTER OF CREDIT TO:

_____
(NAME OF TRANSFEREE)

_____
(ADDRESS OF TRANSFEREE)

WE HEREBY CERTIFY THAT THE TRANSFEREE IS (CHECK ONE):
_____THE SUCCESSOR IN INTEREST TO THE BENEFICIARY;
_____THE NEW OWNER OF A CERTAIN STATED BUILDING LOCATED AT

_____

BY THIS TRANSFER, ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY IN IMPERIAL BANK LETTER OF CREDIT NO. [INSERT L/C NO.] ARE TRANSFERRED IN ITS ENTIRETY TO THE TRANSFEREE AND THE TRANSFEREE SHALL HAVE THE SOLE RIGHTS AS BENEFICIARY THEREOF, INCLUDING SOLE RIGHTS RELATING TO ANY AMENDMENTS, WHETHER NOW EXISTING OR HEREAFTER MADE. ALL AMENDMENTS ARE TO BE ADVISED DIRECTLY TO THE TRANSFEREE WITHOUT NECESSITY OF ANY CONSENT OF OR NOTICE TO THE UNDERSIGNED BENEFICIARY.

THE ORIGINAL LETTER OF CREDIT NO. [INSERT L/C NO.] PLUS ALL ORIGINAL AMENDMENTS, IF ANY, ARE ENCLOSED HERETO AND WE ASK YOU TO ENTER THE TRANSFER ON THE REVERSE SIDE OF THE ORIGINAL LETTER OF CREDIT AND FORWARD IT TOGETHER WITH THE AMENDMENTS, IF ANY, DIRECTLY TO THE TRANSFEREE WITH YOUR CUSTOMARY NOTICE OF TRANSFER.

OUR CHECK IN THE AMOUNT OF $_____ COVERING THE TRANSFER FEE IS ENCLOSED HERETO AND WE AGREE TO PAY YOU ON DEMAND ANY EXPENSES WHICH MAY BE INCURRED BY YOU IN CONNECTION WITH THIS TRANSFER.

VERY TRULY YOURS,

SIGNATURE AUTHENTICATED

_____ _____
SIGNATURE OF BENEFICIARY
BENEFICIARY'S NAME:_____

_____
(AUTHORIZED SIGNATURE)

EXHIBIT E

RULES AND REGULATIONS

1. The sidewalks, passages, exits and entrances of the Building (the "Building") shall not be obstructed by Tenant or used by it for any purpose other than for ingress and egress from the Premises. The passages, exits, entrances, elevators and stairways are not for the use of the general public, and Landlord shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the judgment of the Landlord would be prejudicial to the safety, character, reputation and interests of the Building and its tenants, provided that nothing herein contained shall be construed to prevent such access to persons with whom Tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. Tenant shall not go upon the roof of the building except as permitted to install and operate rooftop equipment pursuant to the Lease.

2. The Premises shall not be used for lodging or sleeping, and unless ancillary to a food service or cafeteria use for Tenant's employees and invitees permitted under the terms of the Lease, no cooking shall be done or permitted by Tenant on the Premises, except that the preparation of coffee, tea, hot chocolate and similar items for Tenant and its employees shall be permitted. Tenant shall not cause or permit any unusual or objectionable odors to be produced on the Premises.

3. Unless specifically provided for in the Lease, all janitorial work and light bulb replacement for the Premises shall be paid for by the Tenant.

4. Intentionally Deleted.

5. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline or flammable or combustible fluid or materials or use any method of heating or air conditioning except as permitted under the terms of the Lease. Tenant shall not use, keep or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business in the building.

6. Nothing shall be placed on the outside of the Building, including the exterior windowsills or projections.

7. Tenant must, upon Lease termination, leave the doors and windows in the demised Premises in the condition required under the terms of the Lease.

8. Tenant shall not permit any animals, including but not limited to, any household pets to be brought or kept in or about the Premises, the Building or the Center or any of the Common Areas of the foregoing, except seeing eye dogs.

9. In case of invasion, mob, riot, public excitement or other circumstances rendering such action advisable in Landlord's opinion, Landlord reserves the right to prevent access to the Building during the continuance of same by such action as Landlord may deem appropriate, including closing entrances to the Building.

10. Tenant shall only allow its employees to park in such areas as designated by Landlord. Vehicles of Tenant and their employees may be required to have identifying stickers provided by Landlord. Tenant agrees to assist Landlord in enforcing parking restrictions and foreign substance of any kind whatsoever shall be deposited therein, and any damage resulting t same from Tenant misuse shall be paid for by Tenant.

11. Tenant shall see that the doors of the Premises are closed and securely locked at such time as Tenant's employees leave the Premises.

12. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose or in any other manner other than that for which they were constructed, no foreign substance of any kind whatsoever shall be deposited therein, and any damage resulting to same from Tenant misuse shall be paid for by Tenant.

13. Except with the prior consent of Landlord, Tenant shall not sell, or permit the sale from the Premises or use or permit the use of any sidewalk area adjacent to the Premises for the sale of newspapers, magazines, periodicals, theater tickets or any other goods, merchandise or service, or for any business or activity other than that specifically provided for in Tenant's lease.

14. Except with the prior consent of Landlord, no sales of merchandise, storage or any other business operation will be allowed in any of the Common Areas or outside of Tenant's premises.

15. Tenant shall not install any radio or television antenna, loudspeaker or other device on the roof or exterior walls of the Building except as otherwise expressly permitted under the terms of the Lease.

16. All wires used by Tenant must be clearly tagged at the distributing boards and junction-boxes and elsewhere in the Building, with the number of the office to which said wires lead, and the purpose for which said wires respectively are used, together with the name of the company operating same. The attaching of wires to the outside of the Building is absolutely prohibited.

17. Tenant shall not use or allow any of its vendors to use in any space, or in the common areas of the Building, any hand trucks, carts, dollies or bins except those equipped with rubber tires and wall protecting side guards. No other vehicles of any kind shall be brought by Tenant into the Building or kept in or about the Premises. Further, all repair costs of any damage resulting from deliveries to the Premises shall be at Tenant's sole cost and expense. Forklifts must be equipped with pneumatic (soft) tires only. Any other mobile weight handling equipment shall have the Landlord's written approval before use in the building.

18. Tenant shall store all its trash and garbage within designated trash enclosures. Any trash not disposed of in the manner above and determined and identified as being Tenant's will be properly disposed of by Landlord, and such Tenant shall be responsible for all costs for time, materials and labor involved. Absolutely no household items such as mattresses, garden clippings, furniture, tires, automobile batteries, etc. shall be disposed of in the Building. No hazardous material shall be placed in Building's trash boxes or receptacles or any other materials if Such material is of such nature that it may not be disposed of in the ordinary customary

manner of removing and disposing of trash and garbage in the City of Livermore without being in violation of any law or ordinance governing such disposal or any requirement or regulation.

19. Canvassing, soliciting, peddling or distribution of handbills or any other written material in the Center is prohibited and Tenant shall cooperate to prevent same.

20. Intentionally Deleted

21. Subject to the terms of the Lease with respect to signage, Landlord reserves the right to select the name of the Center and the buildings therein and to make such change or changes of name as it may deem appropriate from time to time, and Tenant shall not refer to the Center and the buildings therein by any name other than; (i) the names as selected by Landlord (as same may be changed from time to time) or (ii) the postal address, approved by the United States Post Office. Tenant shall not use the name of the Center and the buildings therein in any respect other than as an address of its operation in the Center and in marketing efforts with respect to a proposed sublease without the prior written consent of Landlord.

22. At all times during the term of this Lease, Tenant shall not conduct any going-out-of-business, fire, bankruptcy, sidewalk or distress sale on or about the Premises without Landlord's prior written consent.

23. Intentionally deleted.

24. The requirements of Tenant will be attended to only upon application at such office location designated by Landlord. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless special written instructions have been given by Landlord to the employee.

25. Tenant shall not disturb, solicit, or canvass any occupant of the Building or Center and shall cooperate with Landlord or Agent of Landlord to prevent same.

26. Tenant is required per the City of Livermore Fire Code to have a fully serviced fire extinguisher(s) in the Premises in good working order, including a current inspection certificate.

27. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenant or tenants, but no such waiver by Landlord shall be construed as a waiver of the Rules and Regulations in favor of any other tenant or tenants, or prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the tenants in the Center or Landlord's Parcels.

28. Wherever the word "Tenant" occurs in these Rules and Regulations, it is understood and agreed that it shall mean Tenant's associates, agents, clerks, employees and visitors. Wherever the word "Landlord" occurs in the Rules and Regulations, it is understood and agreed that it shall mean Landlord's assigns, agents, clerks, and employees.

29. These Rules and Regulations are in addition to, and shall not be construed in any way to modify, alter or amend, in whole or part, the terms, covenants, agreements and conditions

of any lease of Premises in the Center. In the event of any express conflict between the terms of the Lease and the terms of this Exhibit E, the terms of the Lease shall control.

30. Landlord reserves the right to make such other reasonable rules and regulations as in its judgment may from time to time be needed to for safety, care and cleanliness of the Center, and for the preservation of good order herein

31. Tenant shall not exceed the maximum occupancy of the Premises as determined by the City of Livermore Fire Marshall.

32. Intentionally Deleted.

33. All window coverings installed by Tenant and visible from the outside of the Building require the prior written approval of Landlord, which shall not be unreasonably withheld or delayed.

34. Tenant shall park motor vehicles in those general parking areas as designated by landlord except for loading and unloading. During those periods of loading and unloading, Tenant shall not unreasonably interfere with the traffic flow within the Center and loading and unloading areas of other tenants.

35. Business machines and mechanical equipment belonging to Tenant which causes noise or vibration that may be transmitted to the structure of the Building to such a degree as to be objectionable to Landlord or other Building tenants, shall be placed and maintained by Tenant at Tenant's expense on vibration eliminators or other devices sufficient to eliminate noise or vibration.

36. All goods, including material used to store goods, delivered to the Premises of Tenant shall be immediately moved into the Premises and shall not be left in the parking or receiving areas overnight.

37. Tractor trailers which must be unhooked or parked with dolly wheels on asphalt paving must use steel plates or wood blocks under the dolly wheels to prevent damage to the asphalt paving surfaces. No parking or storing of such trailers shall be permitted in the auto parking areas of the Center or on the streets adjacent thereto.

38. Forklifts which operate on asphalt paving areas shall not have solid rubber tires and shall only use tires that do not damage the asphalt.

39. Tenant shall not permit any motor vehicles to be washed on any portion of the premises or in the Common Areas of the Center not shall Tenant permit mechanical work or maintenance of motor vehicles, to be performed on any portion of the premises or in the Common Areas of the Center.

EXHIBIT F

LIST OF HAZARDOUS SUBSTANCES

205 Fast Hardener	Nitrogen Trifluoride
* * *	* * *
Acetone	Oxygen
Acetylene	Palladium AA Standards
ACR Auxillary Salts	* * *
* * *	* * *
* * *	Potassium Cyanide
* * *	Potassium Hydroxide
Ammonium Hydroxide	* * *
Ardox 4025, D Film Resist Stripper	* * *
Argon	* * *
Aubel (2M)	Sodium Hydroxide
* * *	Sodium Hypochlorite
* * *	Sodium Persulfate
* * *	Sodium Sulfite
* * *	Sulfamic Acid
Bath: copper sulfate & sulfuric acid solution	Sulfuric Acid 10%
Bath: sulfuric acid & sodium hydroxide, acetic	* * *
Bath: sulfuric acid solution	Texmet Polishing Cloth
* * *	
Boric Acid	
* * *	
Butyl Acetate	
Carbon Dioxide	
Chloroform	
Copper AA Standard	
Cyanide Gold Reclaim	
* * *	
Epoxide Hardener	
Gold Solution	
Helium, Compressed	
* * *	
Hydrochloric Acid	
Hydrofluoric Acid	
Hydrogen Peroxide Solution 50%	
Isopropyl Alcohol	
Lead AA Standard	
* * *	
Liquid Nitrogen	
* * *	
Miscellaneous Acid Waste	
* * *	
* * *	

Nitric Acid 70%
- ----------
Nitric Acid 70% Redistilled 99.999%
- ----------
Nitrogen
- ----------
Nitrogen Hydrogen Gas
- ----------

- ----------

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately.

EXHIBIT F-1

MINIMUM STANDARDS FOR HAZARDOUS SUBSTANCE USE AND/OR STORAGE AREAS

All areas where hazardous substances are used and/or stored will be designed, constructed, and operated to meet the minimum standards specified below.

Legal and Other Applicable Standards

All structures and equipment where hazardous substances are used and/or stored will, at a minimum, meet the standards specified in applicable federal, state, and local laws, regulations, codes, or standards.

Secondary Containment

Secondary containment must be provided for all liquid hazardous substances used and/or stored in indoor and outdoor areas. Containment capacity must be equal to or exceed the volume of the largest container or 10 percent of the total aggregate volume of all containers within the containment structure. Containment structures must be designed to ensure that contents of containers will not be released if containers tip over. The surfaces of the containment structures must be compatible with the hazardous substances used and/or stored, such that any hazardous substances released within the containment structure will not deteriorate or penetrate the containment structure. A building or interior room will not be considered a secondary containment structure unless the entire building or room meets the above specifications and entryways are designed to contain releases.

Container Storage

No hazardous substance container will be placed directly on top of any other container (i.e., no stacking), unless it can be demonstrated that such configuration could not result in releases of liquid hazardous substances. Containers will be stored in a manner such that exterior surfaces are readily accessible for visible inspection at all times. If hazardous substances are stored in drums or other large containers, any rows of such containers will be no more than two containers wide, with minimum aisle space between the rows of 24 inches.

Outdoor Areas

All solid hazardous substances stored in outdoor areas will be provided with secondary containment. All outdoor areas where hazardous substances are used and/or stored will be designed to prevent run-off or discharge of storm water that has been in contact with any hazardous substances or equipment.

Ancillary Equipment

All ancillary equipment (i.e., piping, pumps, valves, fittings, etc.) will be provided with secondary containment and will be constructed of materials compatible with the hazardous substances that contact the equipment.

Segregation of Incompatible Hazardous Substances

All incompatible hazardous substances will be segregated by secondary containment structures such that releases of incompatible hazardous substances cannot intermingle.

Ventilation

All areas where hazardous substance are used and/or stored will be adequately ventilated to prevent accumulation of flammable or explosive vapors. Ventilation systems will be provided with appropriate air pollution control equipment in accordance with federal, state, and local regulations.

EXHIBIT G

COPY OF CENTER
COVENANTS, CONDITIONS & RESTRICTIONS

- ---------------------
RECORDING REQUESTED
BY
CHICAGO TITLE COMPANY
- ---------------------

- ---

RECORDED AT THE REQUEST OF:

WHEN RECORDED RETURN TO:
Pacific Union Commercial Development
675 Hartz Avenue, #300
Danville, CA 94526

Attention Bill Drummond

CERTIFIED TO BE A TRUE COPY OF DOCUMENT
RECORDED 8-3-01 IN BOOK __
SERIES 2001-281501 OF OFFICIAL RECORDS
CHICAGO TITLE INS. CO
BY_____

- ---

DECLARATION OF COVENANTS CONDITIONS AND RESTRICTIONS OF PACIFIC CORPORATE CENTER

A Common Interest Development

INDEX
DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS OF
PACIFIC CORPORATE CENTER
A Common Interest Development

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
PACIFIC CORPORATE CENTER
A COMMON INTEREST DEVELOPMENT

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF PACIFIC CORPORATE CENTER ("Declaration") is made by GREENVILLE INVESTORS, L.P., a California limited partnership ("Declarant").

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ARTICLE I
INTENTION OF DECLARATION

- ---

1.1 FACTS: This Declaration is made with reference to the following facts:

1.1.1 Property Owned by Declarant: Declarant is the owner of all the real property and Improvements thereon located in the City of Livermore, County of Alameda, State of California, described as follows:

Parcels 1 through 8, inclusive, as shown on Parcel Map 7624, filed for record on December 12, 2000, in Book 254 of Maps at Pages 73 through 82, inclusive, in the Official Records of the County of Alameda, State of California.

1.1.2 Nature of Project: Declarant intends to develop the Project as a Common Interest Development which shall be a planned development as defined in California Civil Code Section 1351(k). The Project is intended to be created in conformity with the provisions of the Davis-Stirling Common Interest Development Act (California Civil Code, Section 1350 et seq.). To establish the Project, Declarant desires to impose on the Project these mutually beneficial restrictions, easements, assessments and liens under a comprehensive general plan of improvement and development for the benefit of all of the Owners, the Parcels and Common Area within the Project.

1.2 APPLICABILITY OF RESTRICTIONS: Pursuant to California Civil Code Sections 1353 and 1354, Declarant hereby declares that the Project and all Improvements thereon are subject to the provisions of this Declaration. The Project shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the covenants, conditions and restrictions stated in this Declaration. All such covenants, conditions and restrictions are declared to be in furtherance of the plan for the subdivision, development and management of the Project as a Common Interest Development. All of the limitations, easements, uses, obligations, covenants, conditions, and restrictions stated in this Declaration shall run with the Project and shall inure to the benefit of and be binding on all Owners and all other parties having or acquiring any right, title or interest in any part of the Project.

ARTICLE II
DEFINITIONS

Unless otherwise defined or unless the context clearly requires a different meaning, the terms used in this Declaration, the Map and any grant deed to a Parcel shall have the meanings specified in this Article.

2.1 ADDITIONAL CHARGES: The term "Additional Charges" shall mean costs, fees, charges and expenditures, including without limitation, attorneys' fees, late charges, interest and recording and filing fees actually incurred by the Association in collecting and/or enforcing payment of assessments, fines and/or penalties.

2.2 ALTERATION: The term "Alteration" shall mean constructing, performing, installing, remodeling, repairing, replacing, demolishing, and/or changing the color or shade of any Improvement.

2.3 ARTICLES: The term "Articles" shall mean the Articles of Incorporation of Pacific Corporate Center Owners Association, which are or shall be filed in the Office of the Secretary of State of the State of California.

2.4 ASSOCIATION: The term "Association" shall mean Pacific Corporate Center Owners Association, its successors and assigns, a nonprofit mutual benefit corporation incorporated under the laws of the State of California.

2.5 ASSOCIATION LANDSCAPE AREA: The term "Association Landscape Area" shall mean the landscape strips, medians and areas situated within an Association Maintained Area as shown on the Maintenance Plat.

2.6 ASSOCIATION PRIVATE DRIVE: The term "Association Private Drive" shall mean the roadways, driveways and parking areas situated within an Association Maintained Area as shown on the Maintenance Plat.

2.7 BOARD: The term "Board" shall mean the Board of Directors of the Association.

2.8 BUDGET: The term "Budget" shall mean a pro forma operating budget prepared by the Board in accordance with Section 6.6.1 of this Declaration.

2.9 BUILDING: The term "Building" shall mean each of the buildings constructed on the Parcels approximately as shown on the Maintenance Plat.

2.10 BYLAWS: The term "Bylaws" shall mean the Bylaws of the Association and any amendments thereto.

2.11 CITY: The term "City" shall mean the City of Livermore, California.

2.12 COMMON AREA: The term "Common Area" shall mean easements under, over, upon and across the Association Landscape Areas and Association Private Drives, for the

purposes described in Section 3.4.3. Common Area includes all Improvements situated thereon or therein.

2.13 COUNTY: The term "County" shall mean the County of Alameda, State of California.

2.14 DECLARANT: The term "Declarant" shall mean GREENVILLE INVESTORS, L.P., a California limited partnership. The term "Declarant" shall also mean any person or entity if (i) a notice signed by Declarant and such person or entity has been recorded in the County in which such person or entity assumes the rights and duties of Declarant to some portion of the Project, or (ii) such person or entity acquires all of the Project then owned by a Declarant which must be more than one (1) Parcel. There may be more than one Declarant at any given time.

2.15 DECLARATION: The term "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions of Pacific Corporate Center and includes any subsequently recorded amendments.

2.16 FIRST MORTGAGE: The term "First Mortgage" shall mean a Mortgage which has priority under the recording statutes of the State of California over all other Mortgages encumbering a specific Parcel.

2.17 FIRST MORTGAGEE: The term "First Mortgagee" shall mean the Mortgagee of a First Mortgage. The term "First Mortgagee" shall also include an insurer or governmental guarantor of a First Mortgage including, without limitation, the Federal Housing Authority and the Department of Veteran's Affairs.

2.18 IMPROVEMENTS: The term "Improvements" shall mean everything constructed, installed or planted on real property, including without limitation, buildings, streets, fences, walls, paving, pipes, wires, grading, landscaping and other works of improvement as defined in Section 3106 of the California Civil Code, excluding only those Improvements or portions thereof which are dedicated to the public or a public or quasi-public entity or utility company, and accepted for maintenance by the public, such entity or utility company.

2.19 INVITEE: The term "Invitee" shall mean any person whose presence within the Project is approved by or is at the request of the Association or a particular Owner, including, but not limited to, lessees, tenants, and the family, guests, employees, licensees, patrons, customers, or invitees of Owners, tenants or lessees.

2.20 MAINTENANCE PLAT: The term "Maintenance Plat" shall mean the drawing attached hereto as Exhibit "A," "B-1" and "B-2."

2.21 MAP: The term "Map" shall mean Parcel Map 7624, recorded on December 12, 2000, in Book 254 of Maps at Pages 73 through 82, inclusive, in the Official Records of the County, including any subsequently recorded amended final maps, parcel maps, certificates of correction, lot line adjustments and/or records of survey.

2.22 MEMBER: The term "Member" shall mean an Owner.

2.23 MORTGAGE: The term "Mortgage" shall mean any duly recorded mortgage or deed of trust encumbering a Parcel.

2.24 MORTGAGEE: The term "Mortgagee" shall mean a Mortgagee under a Mortgage as well as a beneficiary under a deed of trust.

2.25 NOTICE AND HEARING: The term "Notice and Hearing" shall mean the procedure which gives an Owner notice of an alleged violation of the Project Documents and the opportunity for a hearing before the Board.

2.26 OWNER: The term "Owner" shall mean the holder of record fee title to a Parcel, including Declarant as to each Parcel owned by Declarant. If more than one person owns a single Parcel, the term "Owner" shall mean all owners of that Parcel. The term "Owner" shall also mean a contract purchaser (vendee) under an installment land contract but shall exclude the contract vendor and any person having an interest in a Parcel merely as security for performance of an obligation.

2.27 PARCEL: The term "Parcel" refers to a Separate Interest as defined in California Civil Code Section 1351(1) and shall mean Parcels 1 through 8, inclusive, as shown on the Map. Parcel includes all Improvements situated thereon or therein.

2.28 PROJECT: The term "Project" shall mean Parcels 1 through 8, inclusive, as shown on the Map and all Improvements thereon.

2.29 PROJECT DOCUMENTS: The term "Project Documents" shall mean the Articles, Bylaws, this Declaration and the Rules.

2.30 RULES: The term "Rules" shall mean the rules adopted by the Board, including architectural guidelines, restrictions and procedures.

2.31 SHARED LANDSCAPE AREA: The term "Shared Landscape Area" shall mean the landscape strips, medians and areas situated within a Shared Maintenance Area as shown on the Maintenance Plat.

2.32 SHARED PRIVATE DRIVE: The term "Shared Private Drive" shall mean the roadways, driveways and parking areas situated within a Shared Maintenance Area as shown on the Maintenance Plat.

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ARTICLE III
OWNERSHIP AND EASEMENTS

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3.1 NON-SEVERABILITY: The interest of each Owner in the use and benefit of the Common Area shall be appurtenant to the Parcel owned by the Owner. Any conveyance of any Parcel shall automatically transfer the right to use the Common Area without the necessity of express reference in the instrument of conveyance. The ownership interests in the Common Area and Parcels described in this Article are subject to the easements described, granted and reserved in this Declaration. Each of the easements described, granted or reserved herein shall be established upon the recordation of this Declaration and shall be enforceable as equitable

servitudes and covenants running with the land for the use and benefit of the Owners and their Parcels superior to all other encumbrances applied against or in favor of any portion of the Project.

3.2 OWNERSHIP OF PARCELS: Title to each Parcel in the Project shall be conveyed in fee to an Owner, subject to the easement in the Common Area and any other easements described in Section 3.4, below.

3.3 OWNERSHIP OF COMMON AREA: An easement in the Colmon Area shall be conveyed to the Association prior to or concurrently with the conveyance of the first-Parcel to an Owner. The Association shall be deemed to have accepted the Common Area conveyed to it when (i) a grant deed of easement conveying the Common Area has been recorded in the Official Records of the County and (ii) assessments have commenced.

3.4 EASEMENTS: The easements and rights specified in this Article are hereby created and shall exist whether or not they are also set forth in individual grant deeds to Parcels. By reference to this Declaration, each grant deed to a Parcel shall be deemed to be conveyed with the benefit of and subject to all applicable easements set forth in this Section.

3.4.1 Additional Easements: Notwithstanding anything expressed or implied to the contrary, this Declaration shall be subject to all easements granted by Declarant for the installation and maintenance of utilities and drainage facilities necessary for the development of the Project.

3.4.2 Association: The Association and its duly authorized agents and representatives shall have a non-exclusive right and easement as is necessary to perform the duties and obligations of the Association set forth in the Project Documents, including the right to enter upon Parcels, subject to the limitations contained in this Declaration.

3.4.3 Common Area: There is hereby reserved from the conveyance of each Parcel and granted to the Association an easement for ingress, egress, utilities and landscaping purposes over, under and through the Common Area. Every Owner shall have a non-exclusive right and easement for the ingress, egress, use and enjoyment of the Common Area which shall be appurtenant to and shall pass with the title to every Parcel, subject to exceptions, limitations or restrictions set forth in the deed which conveys the Common Area to the Association.

3.4.4 Governmental Entities: All governmental and quasi-governmental entities, agencies and utilities and their agents shall have a non-exclusive easement over the Common Area for the purposes of performing their duties within the Project.

3.4.5 Man: The Common Area and Parcels are subject to all easements and rights of way shown on the Map.

3.4.6 Shared Landscape Area: There is hereby reserved from the conveyance of each of Parcels 1 through 6, inclusive, an easement for the installation, maintenance, repair and replacement of landscaping, irrigation and ancillary purposes, over, under and through the portions of these Parcels which are a "Shared Landscape Area." The Owners of Parcels 1 through 6, inclusive, shall each have a non-exclusive right and easement for installation,

maintenance, repair and replacement of landscaping, irrigation and ancillary purposes, under, over, upon and across any "Shared Landscape Area" which serves their Parcel, as indicated on the Maintenance Plat.

3.4.7 Shared Private Drive: There is hereby reserved from the conveyance of each of Parcels 1 through 6, inclusive, an easement for ingress, egress, and utilities purposes over, under and through the portions of these Parcels which are a "Shared Private Drive." The Owners of Parcels 1 through 6, inclusive, shall each have a non-exclusive right and easement for ingress, egress, utilities purposes, under, over, upon and across any "Shared Private Drive" which serves their Parcel, as indicated on the Maintenance Plat.

3.4.8 Storm Drains: There are reserved and granted for the benefit of each Parcel and the Common Area, over, under, across and through the Project, except the Buildings, non-exclusive easements for surface and subsurface storm drains and the flow of water in accordance with natural drainage patterns and the drainage patterns and Improvements installed or constructed by Declarant. Additionally, this Declaration and each Parcel and the Common Areas shall be subject to all easements granted by Declarant for the installation and maintenance of drainage Improvements necessary for the development of the Project.

3.4.9 Support, Maintenance and Repair: The Association and each Owner shall have a non-exclusive right and easement appurtenant to the Common Area and to all Parcels through each Parcel and the Common Area for the support, maintenance and repair of the Common Area and all Parcels.

3.4.10 Utilities: Each Owner shall have a non-exclusive right and easement over, under, across and through the Project, except for portions of the Project on which a structure is situated, for utility lines, pipes, wires and conduits installed by Declarant. Additionally, this Declaration and each Parcel and the Common Areas shall be subject to all easements granted by Declarant for the installation and maintenance of utilities necessary for the development of the Project.

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ARTICLE IV
USE RESTRICTIONS

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4.1 ALTERATIONS: Except as otherwise specifically provided in this Declaration, no Alteration may be made to any Improvement until plans have been submitted and approved pursuant to Article XI.

4.2 ANIMALS: The Board shall have the right to prohibit the maintenance of any pet which, after Notice and Hearing, is found to be a nuisance to other Owners. No dog shall be allowed outside of a Building unless it is under the control of a responsible person by leash.

4.3 ANTENNAS AND SATELLITE DISHES: No outside television antenna, microwave or satellite dish, aerial, or other such device (collectively "Video Antennas") with a diameter or diagonal measurement in excess of one (1) meter shall be erected, constructed or placed on any Common Area or Parcel without the approval of the Architectural Committee. Video antennas with a diameter or diagonal measurement of one (1) meter or less may be

installed only if they conform to the Architectural Standards and, if then required by the Architectural Standards, any necessary approval is obtained in accordance with the provisions of Article XI. Reasonable restrictions which do not significantly increase the cost of the Video Antenna system or significantly decrease its efficiency or performance may be imposed.

4.4 EXTERIOR LIGHTING: No Owner shall remove, damage or disable any exterior photo cell light fixture which is installed by Declarant. The Owner of the Parcel on which such exterior photo cell light fixture is situated shall at all times maintain the fixture in good working condition, including maintenance of the light bulb and shall pay all electric charges required to operate the fixture. Notwithstanding the foregoing, the Association shall maintain any exterior photo cell light fixtures, if any, which are connected to the Association's electric service.

4.5 INVITEES: Each Owner shall be responsible for compliance with the provisions of the Project Documents by that Owner's Invitees. An Owner shall promptly pay any Reimbursement Assessment levied and/or any fine or penalty imposed against an Owner for violations committed by that Owner's Invitees.

4.6 PARKING: No dilapidated or inoperable vehicle shall be parked or stored where visible from adjacent Parcels or the public streets adjacent to the Project. As long as applicable ordinances and laws are observed, including the requirements of Section 22658.2 of the California Vehicle Code, any vehicle which is in violation of this Declaration may be removed.

4.7 RENTAL OF PARCELS: An Owner shall be entitled to rent or lease a Parcel, if: (i) there is a written rental or lease agreement specifying that the tenant shall be subject to all provisions of the Project Documents and a failure to comply with any provision of the Project Documents shall constitute a default under the agreement; (ii) the period of the rental or lease is not less than thirty (30) days; (iii) the Owner gives notice of the tenancy to the Board and has otherwise complied with the terms of the Project Documents; and (iv) the Owner gives each tenant a copy of the Project Documents.

4.8 RULES: The Board may promulgate reasonable Rules relating to the use of the Project by Owners and their Invitees. Neither an Owner nor its Invitees shall violate any provision of this Declaration, the Bylaws or the Rules as the same may be amended from time to time.

4.9 SIGNS: All signs displayed in the Project shall be attractive and compatible with the design of the Project and shall comply with all applicable local ordinances. The Board may establish uniform Rules to govern the location, size and appearance of signs; provided, however, any sign which is installed consistent with the current Rules at the time of the installation, including a substantially similar replacement sign, if necessary, may remain in place (provided that it is properly maintained in good aesthetic condition consistent with any applicable Rules governing the maintenance of signs) notwithstanding any subsequent change to the Rules.

4.10 STORAGE OF WASTE MATERIALS: All garbage, trash and accumulated waste material shall be placed in appropriate covered containers.

4.11 TAXES: Each Owner shall be obligated to pay any taxes or assessments assessed by the County Assessor against that Owner's Parcel and personal property. Until such time as real property taxes have been segregated by the County Assessor, they shall be paid by the respective Owners. The proportionate share of the taxes for a particular Parcel shall be determined by dividing the initial Parcel sales price or, in the case of unsold Parcels, the price the Parcel is then being offered for sale by Declarant ("Offered Price"), by the total initial sales prices and Offered Prices of all Parcels. If an Owner fails to pay that Owner's proportionate share in accordance with the preceding sentence, the Association shall collect such share, including that Owner's interest and penalties, from the delinquent Owner.

4.12 USE OF BUILDINGS: Each Parcel and Building may be used for the following purposes which are presently permitted by local ordinance within the I-2 light industrial district: (a) manufacturing, assembling, processing, storage or packaging of products, except (1) manufacturing, processing, storage or packaging of chemicals, petroleum, and heavy agricultural products or other hazardous materials (this limitation should not be interpreted to prohibit the storage of reasonable quantities of hazardous materials in compliance with all applicable laws, rules and regulations) and (2) vehicle dismantling yards, scrap and waste yards; (b) warehousing and distribution facilities; (c) research and development facilities; (d) professional and administrative offices and (e) restaurants, except fast food facilities. Other uses which are permitted by local ordinance within the I-2 light industrial district are not permitted unless, however, the use is expressly approved by Declarant. Additional uses permitted by local ordinance within the I-3 zoning district are not permitted, even for any Parcel within the I-3 zoning district, unless, however, the use is expressly approved by Declarant. No Parcel or Building may be used for residential purposes. No Owner may permit or cause anything to be done or kept upon or in a Parcel which the Board reasonably determines either obstructs or interfere with the rights of other Owners or is noxious, harmful or unreasonably offensive to other Owners. Each Owner shall comply with all of the requirements of all federal, state and local governmental authorities, and all laws, ordinances, rules and regulations applicable to the Owner's Parcel.

4.13 USE OF COMMON AREA: All use of Common Area is subject to the Rules. There shall be no obstruction of any part of the Common Area. Nothing shall be stored or kept in the Common Area without the prior consent of the Board. Nothing shall be done or kept in the Common Area which will increase the rate of insurance on the Common Area without the prior consent of the Board. No Owner shall permit anything to be physically done or kept in the Common Area or any other part of the Project which might result in the cancellation of insurance on any part of the-Common Area, which would interfere with rights of other Owners, or which the Board determines is a nuisance, noxious, harmful or unreasonably offensive to other Owners. No waste shall be committed in the Common Area. The provisions of this Declaration concerning use, maintenance and management of the Common Area are subject to any rights or limitations established by any easements or other encumbrances which encumber the Common Area.

ARTICLE V
IMPROVEMENTS

5.1 MAINTENANCE OF COMMON AREA AND IMPROVEMENTS: Except as otherwise specifically provided in this Declaration, the Association shall be responsible for the maintenance, repair, replacement, management, operation, painting and upkeep of Common Area. The Association shall keep the Common Area in good condition and repair, provide for all necessary services and cause all acts to be done which may be necessary or proper to assure the maintenance of the Common Area in first class condition.

5.2 ALTERATIONS TO COMMON AREA:

5.2.1 Approval: Alterations to any Improvements situated in, upon or under the Common Area may be made only by the Association. A proposal for an Alteration to an Improvement may be made at any meeting. A proposal may be adopted by the Board, subject to the limitations contained in the Bylaws.

5.2.2 Funding: Expenditures for maintenance, repair or replacement of an existing capital Improvement for which reserves have been collected may be made from the Reserve Account. The Board may levy a Special Assessment to fund any Alteration of an Improvement for which no reserve has been collected.

5.3 MAINTENANCE OF PARCELS AND BUILDINGS:

5.3.1 Generally: Except as otherwise specifically provided in this Declaration, each Owner shall maintain and care for the Owner's Parcel, including the Building and other Improvements located thereon, but excluding the Common Area, in a manner consistent with the standards established by the Project Documents and other well maintained areas in the vicinity of the Project and in compliance with the Architectural Standards.

5.3.2 Utility Lines: Each Owner shall maintain, repair and replace those portions of all electric, gas, sewer, water and other utility lines, pipes wires and conduits which (i) are not maintained by a public or quasi-public entity or utility company and (ii) serve only that Owner's Parcel, irrespective of whether the utility line is located on Common Area, or another Parcel. The Association shall maintain, repair and replace those portions of all electric, gas, sewer, water and other utility lines, pipes wires and conduits situated within Common Area which (i) are not maintained by a public or quasi-public entity or utility company and (ii) serve more than one (1) Parcel.

5.3.3 Storm Water Improvements: Each Owner shall maintain, repair and replace those portions of all storm water pipes and other storm water Improvements situated on their Parcel, excluding Common Area (which shall be maintained by the Association) or Shared Maintenance Areas as shown on the Maintenance Plat (which shall be maintained in accordance with Section 5.6, below).

5.4 LIMITATIONS:

5.4.1 Architectural Committee Approval: Alterations may be made to the interior of a Building if the Owner complies with all laws and ordinances regarding alterations and remodeling. Any proposals for Alterations to the exteriors of a Building or to the portions of a Parcel not covered by a Building shall be made in accordance with the provisions of Article XI.

5.4.2 Loading Docks: No loading docks are permitted within the Project without the approval of Declarant, except (i) on Parcel 7 along the southern elevation of the Building constructed on this Parcel and (ii) on Parcel 8 along the western elevation of the Building constructed on this Parcel.

5.4.3 Fences: Unless otherwise approved by Declarant, no fence may be constructed within the Project except along the boundary of the Project on Parcels 7 and 8. The construction of any fence is subject to the approval of the Architectural Committee.

5.5 LANDSCAPING: All landscaping in the Project shall be maintained and cared for in a manner consistent with the standards of design and quality as originally established by Declarant and in a condition comparable to that of other well maintained areas in the vicinity of the Project. All landscaping shall be maintained in a neat and orderly condition. Any weeds shall be removed and any diseased or dead lawn, trees, ground cover or shrubbery shall be removed and replaced. All lawn areas shall be neatly mowed and trees and shrubs shall be neatly trimmed. Other specific restrictions on landscaping may be established in the Rules. Irrigation systems, if any, shall be fully maintained in good working condition to ensure continued regular watering of landscape areas, and health and vitality of landscape materials.

5.5.1 Common Area: The Association shall maintain all landscaping located on Common Area.

5.5.2 Parcels: Each Owner shall maintain all landscaping located within the Owner's Parcel, excluding the Common Area.

5.6 SHARED MAINTENANCE: The provisions of this Section 5.6 shall be individually applied to each Shared Landscape Area and Shared Private Drive which serves a group of Parcels, as indicated on the Maintenance Plat. The term "Obligated Owner," as used in this Section 5.6, shall refer to Parcels designated on the Maintenance Plat as having the obligation to maintain a particular Shared Landscape Area or Shared Private Drive.

5.6.1 Maintenance Standards: The term "Maintenance," as used in this Section 5.6 shall in the case of Shared Landscape Area, refer to all work required to maintain the landscaping within the Shared Landscape Area to the standards provided in Section 5.5, above. The term "Maintenance," as used in this Section 5.6 shall in the case of Shared Private Drive, refer to all work required to maintain, repair and, when necessary, replace and reconstruct the paved surface located on the Shared Private Drive and all storm drainage Improvements within the Shared Private Drive which serve more than one (1) Parcel. At all times the Shared Private Drives shall be maintained in a good, safe and usable condition, in good repair, and in compliance with all applicable state, county and local ordinances.

5.6.2 When Maintenance Required: Maintenance shall be required when determined by a majority of the Obligated Owners. The preceding sentence shall not extend to any Maintenance required as a result of the willful or negligent act of an Owner, or its family, contract purchasers, lessees, or tenants, or their licensees, guests, invitees or contractors and/or workmen providing services for individual Owners. Rather, any Maintenance required as a result of such negligence or willful action shall be the responsibility of the Owner to whom the

willful or negligent act is attributed. In the event that the Obligated Owners cannot agree with respect to the necessity for or standard of Maintenance, the contractors to be engaged to perform any Maintenance, or any other matters pertaining to the use or Maintenance of the Shared Landscape Area or Shared Private Drive, the dispute shall be submitted to the Board for arbitration and the decision of the Board shall be final.

5.6.3 Allocation of Costs: The costs of performing the Maintenance shall be shared by the Obligated Owners in accordance with the percentages set forth in the Maintenance Plat.

5.6.4 Indemnity and Right of Contribution: Each Obligated Owner shall be liable for an equal share of all costs, damages, attorneys' fees, expenses and liabilities arising from injury to person or property occurring on the Shared Private Drive for which (i) any Owner is held liable by virtue of the fact that it is the Owner of the Private Drive or the fact that the Obligated Owners failed to adequately perform Maintenance, or (ii) all Obligated Owners are held liable by virtue of their ownership of an easement or the fact that the Obligated Owners failed to adequately perform Maintenance. Any Obligated Owner who pays greater than their share of such costs, damages, attorneys' fees, expenses and liabilities shall have a right of contribution against any Obligated Owner who has paid less than their share of such costs, damages, attorneys' fees, expenses and liabilities.

5.7 RIGHT OF MAINTENANCE AND ENTRY BY ASSOCIATION: If an Owner fails to perform maintenance and/or repair which that Owner is obligated to perform pursuant to this Declaration, and if the Association determines, after Notice and Hearing given pursuant to the provisions of the Bylaws, that such maintenance and/or repair is necessary to preserve the attractiveness, quality, nature and/or value of the Project, the Association may cause such maintenance and/or repair to be performed. The costs of such maintenance and/or repair shall be charged to the Owner of the Parcel as a Reimbursement Assessment. In order to effectuate the provisions of this Declaration, the Association may enter any Parcel whenever entry is necessary in connection with the performance of any maintenance or construction which the Association is authorized to undertake. Entry within a Parcel shall be made with as little inconvenience to an Owner as practicable and only after reasonable advance written notice of not less than forty-eight (48) hours, except in emergency situations.

5.8 DAMAGE AND DESTRUCTION -- ASSOCIATION: The term "restore" shall mean repairing, rebuilding or reconstructing a damaged Improvement to substantially the same condition and appearance in which it existed prior to fire or other casualty damage. If fire or other casualty damage extends to any Improvement which is insured under an insurance policy held by the Association, the Association shall proceed with the filing and adjustment of all claims arising under the existing insurance policies. The insurance proceeds shall be paid to and held by the Association.

5.8.1 Bids: Whenever restoration is to be performed pursuant to this Section, the Board shall obtain such bids from responsible licensed contractors to restore the damaged Improvement as the Board deems reasonable; and the Board, on behalf of the Association, shall contract with the contractor whose bid the Board deems to be the most reasonable.

5.8.2 Proceeds: The costs of restoration of the damaged Improvement shall be funded pursuant to the provisions and in the priority established by this Section 5.8.2. A lower priority procedure shall be utilized only if the aggregate amount of funds then available pursuant to the procedures of higher priority are insufficient to restore the damaged Improvement. The following funds and procedures shall be utilized:

1. The first priority shall be any insurance proceeds paid to the Association under existing insurance policies.

2. The second priority shall be all Reserve Account funds designated for the repair or replacement of the capital Improvement(s) which has been damaged.

3. The third priority shall be funds raised by a Special Assessment against all Owners levied by the Board.

5.9 DAMAGE OR DESTRUCTION: If all or any portion of a Building or Parcel, other than Common Area, is damaged by fire or other casualty, the Owner of the Improvement shall either (i) restore the damaged Improvements or (ii) remove all damaged Improvements, including foundations, and leave the Parcel in a clean and safe condition. Any restoration under clause (i) preceding must be performed so that the Improvements are in substantially the same condition in which they existed prior to the damage, unless the Owner complies with the provisions of Article XI. Unless extended by the Board, the Owner must commence such work within one hundred eighty (180) days after the damage occurs and must complete the work within one (1) year thereafter.

5.10 CONDEMNATION OF COMMON AREA: If all or any portion of the Common Area is taken for any public or quasi-public use under any statute, by right of eminent domain or by purchase in lieu of eminent domain, the entire award shall be deposited into the Current Operation Account until distributed. The Association shall distribute such funds equally to all Owners and shall represent the interests of all Owners.

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ARTICLE VI
FUNDS AND ASSESSMENTS

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6.1 COVENANTS TO PAY: Declarant and each Owner covenant and agree to pay to the Association the assessments and any Additional Charges levied pursuant to this Article VI.

6.1.1 Liability for Payment: The obligation to pay assessments shall run with the land so that each successive record Owner of a Parcel shall in turn be liable to pay all such assessments. No Owner may waive or otherwise escape personal liability for assessments or release the Owner's Parcel from the liens and charges hereof by non-use of the Common Area, abandonment of the Parcel or any other attempt to renounce rights in the Common Area or the facilities or services within the Project. Each assessment shall constitute a separate assessment and shall also be a separate, distinct and personal obligation of the Owner of the Parcel at the time when the assessment was levied and shall bind the Owner's heirs, devisees, personal representatives and assigns. Any assessment not paid when due is delinquent. The personal obligation of an Owner for delinquent assessments shall not pass to a successive Owner unless

the personal obligation is expressly assumed by the successive Owner. No such assumption of personal liability by a successor Owner (including a contract purchaser under an installment land contract) shall relieve any Owner from personal liability for delinquent assessments. After an Owner transfers fee title of record to a Parcel, the Owner shall not be liable for any charge thereafter levied against that Parcel.

6.1.2 Funds Held in Trust: The assessments collected by the Association shall be held by the Association for and on behalf of each Owner and shall be used solely for the operation, care and maintenance of the Project as provided in this Declaration.

6.1.3 Offsets: No offsets against any assessment shall be permitted for any reason, including, without limitation, any claim that the Association is not properly discharging its duties.

6.2 REGULAR ASSESSMENTS:

6.2.1 Payment of Regular Assessments: Regular Assessments for each fiscal year shall be established when the Board approves the Budget for that fiscal year. Regular Assessments shall be levied on a fiscal year basis; however, each Owner shall be entitled to pay the Regular Assessment in twelve (12) equal monthly installments, one installment payable on the first day of each calendar month during the fiscal year, as long as the Owner is not delinquent in the payment of any monthly installment. If an Owner fails to pay any monthly installment by the sixtieth (60th) day after the date the installment was due, the Board may terminate that Owner's right to pay the Regular Assessment in monthly installments and declare the then unpaid balance of the Regular Assessment for that year immediately due and payable. Regular Assessments shall commence for all Parcels on the first day of the first month following the month in which the first Parcel is conveyed to an Owner and may commence prior to that date at the option of Declarant.

6.2.2 Allocation of Regular Assessments: The total amount of the Association's anticipated revenue attributable to Regular Assessments as reflected in the Budget for that fiscal year shall be allocated equally among the Parcels.

6.2.3 Non-Waiver of Assessments: If before the expiration of any fiscal year the Association fails to fix Regular Assessments for the next fiscal year, the Regular Assessment established for the preceding year shall continue until a new Regular Assessment is fixed.

6.3 SPECIAL ASSESSMENTS: Special Assessments may be levied in addition to Regular Assessments for (i) constructing capital Improvements, (ii) correcting an inadequacy in the Current Operation Account, (iii) defraying, in whole or in part, the cost of any construction, reconstruction, unexpected repair or replacement of Improvements in the Common Area, or (iv) paying for such other matters as the Board may deem appropriate for the Project. Special Assessments shall be levied in the same manner as Regular Assessments.

6.4 REIMBURSEMENT ASSESSMENTS: The Association shall levy a Reimbursement Assessment against an Owner to (a) reimburse the Association for the costs of repairing damage caused by that Owner or that Owner's Invitee or (b) if a failure to comply with the Project Documents has resulted in (i) an expenditure of monies, including attorneys' fees, by

the Association to bring the Owner or the Owner's Parcel or Improvements into compliance or (ii) the imposition of a fine or penalty. A Reimbursement Assessment shall be due and payable to the Association when levied. A Reimbursement Assessment shall not be levied by the Association until Notice and Hearing has been given in accordance with the Bylaws.

6.5 ACCOUNTS:

6.5.1 Types of Accounts: Assessments collected by the Association shall be deposited into at least two (2) separate accounts with a responsible financial institution, which accounts shall be clearly designated as (i) the Current Operation Account and (ii) the Reserve Account. The Board shall deposit those portions of the assessments collected for current maintenance and operation into the Current Operation Account and shall deposit those portions of the assessments collected as reserves for replacement and deferred maintenance of major components which the Association is obligated to repair, restore, replace or maintain into the Reserve Account.

6.5.2 Reserve Account: The Association shall not expend funds from the Reserve Account for any purpose other than the maintenance, repair or replacement of the Common Area.

6.5.3 Current Operation Account: All other costs properly payable by the Association shall be paid from the Current Operation Account.

6.6 BUDGET, FINANCIAL STATEMENTS, REPORTS AND STUDIES:

6.6.1 Preparation and Distribution of Budget: The Board shall annually prepare, adopt and distribute a Budget of the estimated revenues and expenses on an accrual basis. The Budget shall also set forth the current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the Common Area required to be maintained by the Association.

6.6.2 Annual Report: The Board shall annually prepare and distribute an income and expense statement and summaries of such other financial accounting information as shall be prepared for the Association.

6.6.3 Notice of Increased Assessments: The Board shall provide notice to the Owners of any increase in Regular Assessments or the levy of any Special Assessments within fifteen (15) days after the adoption of a resolution establishing the increased Regular Assessment or levying the Special Assessment.

6.6.4 Statement of Outstanding Charges: Within ten (10) days of a written request by an Owner, the Association shall provide a written statement to the Owner which sets forth the amounts of delinquent assessments, penalties, attorneys' fees and other charges against that Owner's Parcel. A charge for the statement may be made by the Association, not to exceed the reasonable costs of preparation and reproduction of the statement.

6.7 ENFORCEMENT OF ASSESSMENTS:

6.7.1 Procedures: In addition to all other remedies provided by law, the Association, or its authorized representative, may enforce the obligations of the Owners to pay each assessment provided for in this Declaration in any manner provided by law or by either or both of the following procedures:

(a) By Suit: The Association may commence and maintain a suit at law against any Owner personally obligated to pay a delinquent assessment. The suit shall be maintained in the name of the Association. Any judgment rendered in any action shall include the amount of the delinquency, and such additional costs, fees, charges and expenditures ("Additional Charges") and any other amounts as the court may award. A proceeding to recover a judgment for unpaid assessments may be maintained without the necessity of foreclosing or waiving the lien established herein.

(b) By Lien: The Association or a trustee nominated by the Association may commence and maintain proceedings to establish and/or foreclose assessment liens. No action shall be brought to foreclose a lien until the lien is created by recording a Notice of Delinquent Assessment ("Notice"). Prior to recording a Notice, the Association shall: (i) notify the affected Owner in writing by certified mail of the fee and penalty procedures of the Association; (ii) provide an itemized statement of the charges owed by the Owner, including items on the statement which indicate the principal owed, any late charges, the method of calculation, and attorneys' fees; and (iii) describe the collection practices used by the Association, including the right of the Association to recover reasonable costs of collection. The Notice must be authorized by the Board, signed by an authorized agent and recorded in the Official Records of the County. The Notice shall state the amount of the delinquent assessment(s), the Additional Charges incurred to date, a legal description of the Parcel, the name(s) of the record Owner(s) thereof and the name and address of the trustee, if any, authorized by the Association to enforce the lien by sale and shall be signed by the person authorized to do so by the Board, or if no one is specifically designated, by the President or Chief Financial Officer. No later than ten (10) days after recordation of the Notice, copies of the Notice shall be mailed to all record owners of the Parcel in the manner set forth in Section 2924b of the California Civil Code. After the expiration of thirty (30) days following the recording of a Notice, the lien may be foreclosed as provided in Section 1367 of the Civil Code of the State of California.

6.7.2 Additional Charges: In addition to any other amounts due or any other relief or remedy obtained against an Owner who is delinquent in the payment of any assessments, each Owner agrees to pay such Additional Charges as the Association may incur or levy in collecting the monies due and delinquent from that Owner. All Additional Charges shall be included in any judgment in any suit or action brought to enforce collection of delinquent assessments or may be levied against a Parcel as a Reimbursement Assessment. Additional Charges shall include, but not be limited to, the following:

(a) Attorneys' Fees: Reasonable attorneys' fees and costs incurred in the event an attorney(s) is employed to collect any assessment or sum due, whether by suit or otherwise;

(b) Late Charges: A late charge in an amount to be fixed by the Board in accordance with the then current laws of the State of California to compensate the Association for additional collection costs incurred in the event any assessment or other sum is not paid when due or within any "grace" period established by law;

(c) Costs of Suit: Costs of suit and court costs incurred as are allowed by the court;

(d) Interest: Interest on the delinquent assessment and Additional Charges at a rate fixed by the Board in accordance with the then current laws of the State of California; and

(e) Other: Any such other additional costs that the Association may incur in the process of collecting delinquent assessments or sums.

6.7.3 Satisfaction of Lien: All amounts paid by an Owner toward a delinquent assessment shall be credited first to reduce the principal amount of the debt. Upon payment or other satisfaction of a delinquent assessment for which a Notice was recorded, the Association shall record a certificate stating the satisfaction and release of the assessment lien.

6.7.4 Lien Eliminated By Foreclosure: If the Association has recorded a Notice of Delinquent Assessment and the lien is eliminated as a result of a foreclosure of a Mortgage or a transfer pursuant to the remedies provided in the Mortgage, the new Owner of the Parcel shall pay to the Association a pro-rata share of the Regular Assessment for each month remaining in the Association's fiscal year after the date of the foreclosure or transfer pursuant to the remedies provided in the Mortgage.

6.8 SUBORDINATION OF LIEN: Notwithstanding any provision to the contrary, the liens for assessments created pursuant to this Declaration shall be subject and subordinate to and shall not affect the rights of the holder of a First Mortgage made in good faith and for value. Upon the foreclosure of any First Mortgage on a Parcel, any lien for assessments which became due prior to such foreclosure shall be extinguished; provided, however, that after such foreclosure there shall be a lien on the interest of the purchaser at the foreclosure sale to secure all assessments, whether Regular or Special, charged to such Parcel after the date of such foreclosure sale, which lien shall have the same effect and shall be enforced in the same manner as provided herein. For purposes of this Section, a Mortgage may be given in good faith or for value even though the Mortgagee has constructive or actual knowledge of the assessment lien provisions of this Declaration.

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ARTICLE VII
MEMBERSHIP IN AND DUTIES OF THE ASSOCIATION

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7.1 THE ORGANIZATION: The Association is a nonprofit mutual benefit corporation. Its affairs shall be governed by and it shall have the powers set forth in the Project Documents.

7.2 MEMBERSHIP: Each Owner (including Declarant for so long as Declarant is an Owner), by virtue of being an Owner, shall be a Member of the Association. No other person shall be accepted as a Member. Association membership is appurtenant to and may not be separated from the ownership of a Parcel. Membership shall terminate upon termination of Parcel ownership. Ownership of a Parcel shall be the sole qualification for Association membership. Membership shall not be transferred, pledged or alienated in any way except upon transfer of title to the Owner's Parcel (and then only to the transferee of title to such Parcel). Any attempt to make a prohibited transfer is void. Membership shall not be related to the use or non-use of the Common Area and may not be renounced. The rights, duties, privileges and obligations of all Members shall be as provided in the Project Documents.

7.3 VOTING: Any action required by law or by the Project Documents to be approved by the Owners, the Members or each class of Members shall be approved, if at all, in accordance with the procedures set forth in the Bylaws.

7.4 RULES: The Board may propose, adopt, amend and repeal Rules appropriate for the management of the Project, which are consistent with the Project Documents. The Rules may also establish architectural controls and may govern the use of the Common Area by Owners or their Invitees. After adoption, a copy of the Rules shall be furnished to each Owner. Owners shall be responsible for distributing the Rules to their tenants.

7.5 TRANSFERS OF COMMON AREA: Subject to any applicable provision in the Bylaws, the Board shall have the power and right in the name of the Association and all of the Owners as their attorneys-in-fact to grant, convey, dedicate, mortgage, or otherwise transfer to any Owner or other person or entity, fee title, easements, exclusive use easements, security rights or other rights or licenses in, on, over or under the Common Area that, in the sole discretion of the Board, are in the best interests of the Association and its Members. Notwithstanding anything herein to the contrary, in no event shall the Board take any action authorized hereunder that would permanently and unreasonably interfere with the use, occupancy and enjoyment by any Owner of that Owner's Parcel without the prior written consent of that Owner.

7.6 INSURANCE: The Board shall make every reasonable effort to obtain and maintain the insurance policies as provided in this Section. If the Board is unable to purchase a policy or if the Board believes that the cost of the policy is unreasonable, the Board shall call a special meeting of Members to determine what action to take. The Board shall comply with any resolution concerning insurance coverage adopted at such a meeting.

7.6.1 General Provisions and Limitations: All insurance policies shall be subject to and, where applicable, shall contain the following provisions and limitations:

(a) Underwriter: All policies (except earthquake insurance) shall be written with a company legally qualified to do business in the State of California and (i) holding a "B" or better general policyholder's rating and a "6" or better financial performance index rating as established by Best's Insurance Reports, (ii) reinsured by a company described in (i), above, or (iii) if such a company is not available, the best rating possible or its equivalent.

(b) Named Insured: Unless otherwise provided in this Section, the named insured shall be the Association or its authorized representative, as a trustee for the Owners. However, all policies shall be for the benefit of Owners and their Mortgagees, as their interests may appear.

(c) Authority to Negotiate: Exclusive authority to adjust losses under policies obtained by the Association shall be vested in the Board; provided, however, that no Mortgagee having an interest in such losses may be prohibited from participating in any settlement negotiations related thereto.

(d) Contribution: In no event shall the insurance coverage obtained and maintained by the Association be brought into contribution with insurance purchased by Owners or their Mortgagees.

(e) General Provisions: To the extent possible, the Board shall make every reasonable effort to secure insurance policies providing for the following:

(i) A waiver of subrogation by the insurer as to any claims against the Board, the manager, the Owners and their respective servants, agents and guests;

(ii) That the policy will be primary, even if an Owner has other insurance which covers the same loss;

(iii) That no policy may be cancelled or substantially modified without at least ten (10) days' prior written notice to the Association and to each First Mortgagee listed as a scheduled holder;

(iv) An agreed amount endorsement, if the policy contains a coinsurance clause;

(v) A guaranteed replacement cost or replacement cost endorsement; and

(vi) An inflation guard endorsement.

(f) Term: The period of each policy shall not exceed three (3) years. Any policy for a term greater than one (1) year must permit short rate cancellation by the insureds.

(g) Deductible: The policy may contain a reasonable deductible and the amount of the deductible shall be added to the face amount of the policy in determining whether the insurance equals replacement cost.

7.6.2 Types of Coverage: Unless the Association determines otherwise pursuant to Section 7.6, the Board shall obtain at least the following insurance policies in the amounts specified:

(a) Property Insurance: A Special Form or "All-Risk" policy of property insurance for all insurable Common Area Improvements, including fixtures and building service equipment, against loss or damage by fire or other casualty, in an amount equal to the full replacement cost (without respect to depreciation) of the Common Area, and exclusive of land, foundations, excavation and other items normally excluded from coverage. A replacement cost endorsement shall be part of the policy.

(b) Liability Insurance: A combined single limit policy of liability insurance in an amount not less than Three Million Dollars ($3,000,000.00) covering the Common Area and all damage or injury caused by the negligence of the Association, the Board or any of its agents or the Owners against any liability to the public or to any Owner incident to the use of or resulting from any accident or intentional or unintentional act of an Owner or a third party occurring in or about any Common Area. If available, each policy shall contain a cross liability endorsement in which the rights of the named insured shall not be prejudiced with respect to any action by one named insured against another named insured.

(c) Worker's Compensation: Worker's compensation insurance to the extent necessary to comply with all applicable laws of the State of California or the regulations of any governmental body or authority having jurisdiction over the Project.

(d) Other Insurance: Other types of insurance as the Board determines to be necessary to fully protect the interests of the Owners.

(e) Insurance by Owner: Each Owner, at that Owner's sole cost and expense, shall obtain insurance coverage which the Owner considers necessary or desirable to protect that Owner and that Owner's Parcel, Building and personal property; provided, however, that no Owner shall be entitled to maintain insurance coverage in a manner so as to decrease the amount which the Association, on behalf of all Owners and their Mortgagees, may realize under any insurance policy which the Association may have in effect at any time.

7.6.3 Annual Review: The Board shall review the adequacy of all insurance, including the amount of liability coverage and the amount of property damage coverage, at least once every year. At least once every three years, the review shall include a replacement cost appraisal of all insurable Common Area Improvements without respect to depreciation. The Board shall adjust the policies to provide the amounts and types of coverage and protection that are customarily carried by prudent owners of similar property in the area in which the Project is situated.

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ARTICLE VIII
DEVELOPMENT RIGHTS

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8.1 LIMITATIONS OF RESTRICTIONS: Declarant is undertaking the work of developing Parcels and other Improvements within the Project. The completion of the development and the marketing, sale, lease, rental and/or other disposition of the Parcels is essential to the establishment and welfare of the Project. In order that the work may be completed and the Project established as rapidly as possible, nothing in this Declaration shall be interpreted to deny Declarant the rights set forth in this Article.

8.2 RIGHTS OF ACCESS AND COMPLETION OF CONSTRUCTION: Until the fifth (5th) anniversary of the commencement of Regular Assessments, Declarant, its contractors and subcontractors shall have the right to: (i) obtain reasonable access over and across the Common Area and/or do within any Parcel owned or controlled by it whatever is reasonably necessary or advisable in connection with the completion of the Project; and (ii) erect, construct and maintain on the Common Area- and/or within any Parcel owned or controlled by it such structures as may be reasonably necessary for the conduct of its business to complete the work, establish the Project and dispose of the Project in parcels by sale, lease, rental or otherwise. Each Owner acknowledges that: (a) the construction of the Project may occur over an extended period of time; (b) the Owner's quiet use and enjoyment of the Owner's Parcel may be disturbed as a result of the noise, dust, vibrations and other nuisances associated with construction activities; and (c) the nuisances will continue until the completion of the construction of the entire Project.

8.3 APPEARANCE OF PROJECT: Declarant shall not be prevented from changing the exterior appearance of Buildings, landscaping or any other matter directly or indirectly connected with the Project in any manner deemed desirable by Declarant, if Declarant obtains all governmental consents required by law.

8.4 MARKETING RIGHTS: Declarant shall have the right to: (i) maintain sales and construction trailers, leasing offices, rental offices, storage areas, parking lots and related facilities in any Parcels owned or controlled by Declarant or Common Area as are necessary or reasonable, in the opinion of Declarant, for the construction, sale, lease, rental or other disposition of the Parcels; (ii) make reasonable use of the Common Area for the construction, sale, lease, rental or other disposition of Parcels; and (iii) conduct its business of disposing of Parcels by sale, lease, rental or otherwise.

8.5 AMENDMENT: The provisions of this Article may not be amended without the written consent of Declarant.

ARTICLE IX
RIGHTS OF MORTGAGEES

9.1 CONFLICT: Notwithstanding any contrary provision in the Project Documents, the provisions of this Article shall control with respect to the rights and obligations of Mortgagees specified herein.

9.2 INSPECTION OF BOOKS AND RECORDS: Upon request, any Owner or First Mortgagee shall be entitled to inspect and copy the books, records and financial statements of the Association, the Project Documents and any amendments thereto during normal business hours.

9.3 FINANCIAL STATEMENTS FOR MORTGAGEES: If an audited financial statement for the immediately preceding fiscal year is available, the Association shall provide a copy to any Mortgagee who makes a written request for it. If an audited financial statement is not available, any Mortgagee who desires to have an audited financial statement of the Association may cause an audited financial statement to be prepared at the Mortgagee's expense.

The audited financial statement shall be available within one hundred twenty (120) days of the end of the Association's fiscal year.

9.4 MORTGAGE PROTECTION: A breach of any of the conditions or the enforcement of any lien provisions contained in this Declaration shall not defeat or render invalid the lien of any First Mortgage made in good faith and for value as to any Parcel in the Project; but all of the covenants, conditions and restrictions contained in this Declaration shall be binding upon and effective against any Owner of a Parcel if the Parcel is acquired by foreclosure, trustee's sale or otherwise.

ARTICLE X
AMENDMENT AND ENFORCEMENT

10.1 AMENDMENTS: Prior to the conveyance of the first Parcel to an Owner other than a Declarant, any Project Document may be amended by Declarant alone. After the conveyance of the first Parcel, the Project Documents may be amended by the approval of each class of Members; provided however, that no provision of this Declaration which provides for a vote of more than fifty-one percent (51%) may be amended by a vote less than the percentage specified in the Section to be amended. Any amendment to this Declaration shall be effective upon the recordation in the Official Records of the County of an instrument executed by the President and Secretary of the Association which sets forth the terms of the amendment and a statement which certifies that the required percentage of Members has approved the amendment.

10.2 ENFORCEMENT:

10.2.1 Rights to Enforce: Subject to the provisions of Section 10.4, Declarant, the Association and/or any Owner shall have the power to enforce the provisions of the Project Documents in any manner provided by law or in equity and in any manner provided in this Declaration. In addition to instituting appropriate legal action, the Association may temporarily suspend an Owner's voting rights and/or levy a fine against an Owner in a standard amount to be determined by the Board from time to time. No determination of whether a violation has occurred may be made until Notice and Hearing has been provided to the Owner pursuant to the Bylaws. If legal action is instituted by the Association, any judgment rendered shall include all appropriate Additional Charges. Notwithstanding anything to the contrary contained in this Declaration, the Association has no power to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of the Owner's Parcel, including access thereto over and across the Common Area, due to the Owner's failure to comply with the provisions of the Project Documents unless the loss or forfeiture is the result of the judgment of a court, an arbitration decision, a foreclosure proceeding or a sale conducted pursuant to this Declaration. The provisions of this Declaration are equitable servitudes, enforceable by any Owner or the Association against the Association or any other Owner in the Project. Except as otherwise provided, Declarant, the Association or any Owner(s) has the right to enforce, in any manner permitted by law or in equity, any and all of the provisions of the Project Documents, including any decision made by the Association, upon the Owners, the Association or upon any property in the Project.

10.2.2 Violation of Law: The Association may treat any Owner's violation of any state, municipal or local law, ordinance or regulation, which creates a nuisance to the other Owners in the Project or to the Association, in the same manner as a violation of the Project Documents by making such violation subject to any or all of the enforcement procedures set forth in this Declaration, as long as the Association complies with the Notice and Hearing requirements.

10.2.3 Remedies Cumulative: Each remedy provided in this Declaration is cumulative and not exclusive.

10.2.4 Nonwaiver: The failure to enforce the provisions of any covenant, condition or restriction contained in this Declaration will not constitute a waiver of any right to enforce any such provisions or any other provisions of this Declaration.

10.3 DISPUTES BETWEEN OWNERS AND DECLARANT: Before any Owner initiates arbitration in accordance with the provisions of Section 10.4, the Owner and Declarant shall first attempt, in good faith, to resolve the dispute informally by negotiation. Either party may initiate negotiations by writing a letter to the other party describing the nature of the dispute and any proposals to resolve the dispute. The letter shall be sent by certified mail and shall be deemed received three (3) days after its deposit in the U.S. Mail. The recipient shall respond, within ten (10) days of receipt of the letter, either with a letter that addresses the dispute and its proposed resolution or by requesting a meeting of the parties. The meeting(s) shall be held at a mutually acceptable location. After at least one exchange of letters or at least one meeting of the parties, should either party honestly believe that the dispute cannot be resolved informally, then that party shall so notify the other party either personally at a meeting or in writing. At this point, either party may initiate arbitration as provided herein. Should either party refuse to participate in the negotiations, then upon expiration of the ten (10) day initial response time, the party who sent the initiating letter may commence arbitration proceedings in accordance with the provisions of Section 10.4.

If the dispute involves an alleged problem with materials, design or construction of any portion of the Project, then Declarant shall have the right to inspect the alleged problem before any such meeting or any written response is required from Declarant. If Declarant elects to attempt to cure the alleged problem, Claimant shall allow Declarant to perform whatever work is deemed necessary by Declarant during normal working hours. Declarant agrees to begin its curative work within thirty (30) days after the first meeting between the parties. If the dispute remains unresolved after the good faith attempt to negotiate has been concluded or if the curative action performed by Declarant is not undertaken as promised or does not resolve the alleged problem, then either party may initiate arbitration as provided herein in accordance with the provisions of Section 10.4.

10.4 MANDATORY BINDING ARBITRATION: Any disputes, claims, issues or controversies between any Owner and Declarant or between the Association and Declarant regarding any matters that arise out of or are in any way related to the Project, the relationship between Owner and Declarant or the relationship between the Association and Declarant, whether contractual or tort, including, but not limited to, the purchase, sale, condition, design, construction or materials used in construction of any portion of the Project or the agreement

between Declarant and any Owner to purchase a Parcel or any related agreement, including, but not limited to warranties, disclosures, or alleged construction defects (latent or patent), (collectively "disputes") except as otherwise set forth herein, shall be resolved through the procedures established in this Declaration. The party who has a dispute with Declarant is referred to as the "Claimant" in this Section. If negotiations fail then all such disputes shall be resolved by neutral, binding arbitration and not by any court action except as provided for judicial review of arbitration proceedings by California law. Except as otherwise set forth herein, the arbitration proceedings shall be conducted by and in accordance with the rules of Judicial Arbitration and Mediation Services, Inc. (JAMS/Endispute) or any successor thereto and, except for procedural issues, the arbitration proceedings, the ultimate decisions of the arbitrator, and the arbitrator shall be subject to and bound by existing California case and statutory law including, but not limited, to applicable statutes of limitation such as California Code of Civil Procedure Sections 337, 337.15(a), 338(d), 340, and 340(3). Nothing herein shall toll, extend, shorten or otherwise affect any applicable statute of limitation. Should JAMS/Endispute cease to exist, as such, then all references herein to JAMS/Endispute shall be deemed to refer to its successor or, if none, to the American Arbitration Association (in which case its commercial arbitration rules shall be used).

10.4.1 Selection and Timing: The matter shall be heard by one (1) arbitrator. Within five (5) business days of receipt of a written request from one of the parties to arbitrate a claim, JAMS/Endispute shall provide a list of five (5) qualified names to both parties. The term "qualified" shall mean a retired judge (or if none is available then an attorney, licensed to practice in California having at least fifteen (15) years of experience) with a strong emphasis on the laws governing real estate matters, especially those dealing with real estate development and construction. Each side will strike one name (based on reasons listed in CCP Section 1297.121 or 1297.124 or for no reason at all) until one is left (which shall be the appointed arbitrator), unless the parties sooner agree. The parties shall have no more than three (3) business days for the striking of each name. The initiating party shall be the first party to strike a name and submit it to the other party.

10.4.2 Discovery: Except as limited herein, each party shall be entitled to discovery to the extent provided in Section 1283.05 of the Code of Civil Procedure or any successor statute thereto. Each party shall have the right to depose the expert witnesses of the other party and to conduct two other depositions of its choice without the need to obtain an order of the arbitrator. All other depositions, document requests, requests for admissions and similar discovery shall be conducted under the direction and supervision of the arbitrator. No party shall be entitled to bring any motion to exclude or limit the evidence to be submitted to the arbitrator. No party shall have any other discovery rights except as authorized by the arbitrator for good cause.

10.4.3 Full Disclosure: Both parties shall, in good faith, make a full disclosure of all issues and evidence to the other party prior to the hearing. Any evidence or information that the arbitrator determines was unreasonably withheld shall be inadmissible by the party which withheld it. The initiating party shall be the first to disclose all of the following, in writing, to the other party and to the arbitrator an outline of the issues and its position on each such issue; a list of all witnesses it intends to call; and copies of all written reports and other documentary evidence whether or not written or contributed to by its retained experts (collectively "outline").

The initiating party shall submit its outline to the other party and the arbitrator within thirty (30) days of the final selection of the arbitrator. The responding party shall submit its written response as directed by the arbitrator. If the dispute involves alleged construction defects, then the Claimant shall be the first party to submit its written outline, list of witness, and reports/documents and shall include a detailed description of the nature and scope of the alleged defect(s), its proposal for repair or restoration any repairs made to date and an estimate of the cost of repair/restoration together with the calculations used to derive the estimate.

10.4.4 Hearing: The hearing shall be held in the County. The hearing shall commence within ninety (90) days of the receipt by the parties of the list of names of proposed arbitrators from JAMS/Endispute unless this date is determined to be infeasible by the arbitrator in which case the arbitrator shall select the next available date for the hearing. The arbitration shall be conducted as informally as possible. Neither the rules of admissibility of evidence nor the Evidence Code of the State of California shall be applicable except for Evidence Code Section 1152 et seq. which shall be applicable for the purpose of excluding from evidence offers, compromises, and settlement proposals, unless both parties consent to their admission. The arbitrator shall be the sole judge of the admissibility of and the probative value of all evidence offered and is authorized to provide all legally recognized remedies whether in law or equity. Attorneys are not required and either party may elect to be represented by someone other than a licensed attorney. Cost of an interpreter shall be born by the party requiring the services of the interpreter in order to be understood by the arbitrator. Except as set forth herein, the arbitration shall be conducted pursuant to Title 9 of the California Code of Civil Procedure, Section 1280 et seq.

10.4.5 Decision: The decision of the arbitrator shall be binding on the parties and may be entered as a judgment in any court of the State of California that has jurisdiction and venue. In no event shall the award of the arbitrator include any component for punitive or exemplary damages. The arbitrator shall cause a complete record of all proceedings to be prepared similar to those kept in the Superior Court; shall try all issues of both fact and law; and shall issue a written statement of decision, such as that described in Code of Civil Procedure Section 643 (or its successor) which shall specify the facts and law relied upon in reaching his/her decision within twenty (20) days after the close of testimony.

10.4.6 Fees and Costs: Notwithstanding any statute to the contrary, including Code of Civil Procedure Section 645.1, each party shall bear their own costs of the hearing, including attorneys' fees. No attorneys fees or costs shall be awarded to either party but each party shall be solely responsible for its own attorneys' fees and costs, including, expert witnesses, consultants, reports, and similar costs. The total cost of the arbitration proceedings, including the advanced initiation fees and other fees of JAMS/Endispute and any related costs and fees incurred by JAMS/Endispute (such as experts and consultants retained by it) shall be borne as determined by the arbitrator, regardless of the outcome

10.4.7 Reference Alternative: To the extent that either party may be otherwise entitled to bring an action at law pursuant to California Code of Civil Procedure Section 1298.7, or if a court of competent jurisdiction determines that the dispute resolution set forth herein is void or unenforceable, the entire matter shall proceed as one of judicial reference pursuant to Code of Civil Procedure Section 638 et seq. The rules of procedure set forth herein shall be the

rules of procedure for the reference proceeding, unless precluded by law. JAMS/Endispute shall hear, try and decide all issues of both fact and law and make any required findings of facts and, if applicable, conclusions of law and report these along with the judgment to the supervising court within twenty (20) days after the close of testimony.

The parties shall cooperate and diligently perform such acts as may be necessary to carry out the purposes of this Section.

ARTICLE XI
ARCHITECTURAL AND LANDSCAPING CONTROL

11.1 APPLICABILITY:

11.1.1 Generally: Except as otherwise provided in this Declaration, proposals for Alterations (which includes all landscaping, except as provided in 11.1.2, below) are subject to the provisions of this Article and may not be made until approved in accordance with the provisions of this Article.

11.1.2 Exceptions: The provisions of this Declaration requiring architectural approvals do not apply to repainting or refinishing any Improvement in the same color, hue, intensity, tone, and shade or repairing or replacing any Improvement with the same materials. The provisions of this Declaration requiring architectural approvals include planting or removing landscaping except for landscaping which at maturity will not be visible from other Parcels. The Architectural Standards may establish additional exceptions from time to time.

11.1.3 Declarant Exemption: The provisions of this Declaration requiring architectural approvals shall not apply to the original construction of any Improvements on a Parcel by Declarant, its agents, contractors or employees. The provisions of this paragraph may not be amended without the consent of Declarant until all of the Parcels in the Project owned by Declarant have been conveyed.

11.1.4 Relationship to Governmental Approvals: Proposals for Alterations may also be subject to review and approval by state or local governmental entities or agencies. Satisfying the provisions of this Declaration does not automatically satisfy any requirement for governmental approval, permitting or inspection. All approvals, permits and inspections which are required under local, state or federal law for any proposed Alteration are the responsibility of the Owner and must be obtained by the Owner in addition to the approvals required by this Declaration.

11.2 MEMBERS AND VOTING:

11.2.1 Initial Committee: The Architectural Committee ("Committee") shall initially consist of three (3) members. Declarant shall appoint all of the original members of the Committee and all replacements until the tenth (10th) anniversary of commencement of Regular Assessments. After the tenth (10th) anniversary of commencement of Regular Assessments, the terms of the members of the Committee appointed by Declarant shall terminate.

11.2.2 Appointment by Owners: Commencing upon the tenth (10th) anniversary of commencement of Regular Assessments, the Committee shall consist of up to eight (8) members, one member appointed by the Owner of each Parcel (if an Owner owns more than one (1) Parcel, then that Owner shall appoint one (1) member, but that member shall have one (1) vote for each Parcel owned). All members will serve until they resign or are replaced by the Owner that appointed them. All decisions of the Committee shall be made by majority vote, based upon one (1) vote for each Parcel which that member represents; provided, however, no member shall cast a vote with respect to a Parcel which is the subject of the application.

11.3 DUTIES AND POWERS:

11.3.1 Duties: The Committee shall review and approve, conditionally approve, or deny all plans, submittals, applications and requests made or tendered to it by Owners or their agents, pursuant to the provisions of this Declaration. In connection therewith, the Committee may investigate and consider the architecture, design, layout, landscaping, and other features of the proposed Improvements.

11.3.2 Architectural Standards: The Committee, from time to time and in its sole discretion, may adopt architectural rules, regulations and guidelines ("Architectural Standards"). The Architectural Standards may impose specific requirements on individual Parcels if those requirements are reasonable in light of specific Parcel topography, visibility or other factors. The Architectural Standards will be effective when they are adopted by the Committee. The Architectural Standards shall interpret and implement the provisions of this Declaration by setting forth the standards and procedures for architectural review and guidelines for architectural design, placement of buildings, color schemes, exterior finishes and materials, landscaping, fences, and similar features which may be used in the Project; provided, however, that the Architectural Standards may not be in derogation of the minimum standards established by this Declaration. The Architectural Standards may include a schedule of fees for processing submittals (which shall not exceed the amount necessary to defray all costs incurred by the Committee in processing the submittals) and establish the time and manner in which such fees will be paid. The Architectural Standards will constitute Rules.

11.3.3 Powers: The Committee may adopt rules and regulations for the transaction of business, scheduling of meetings, conduct of meetings and related matters. The Committee may also adopt criteria, consistent with the purpose and intent of this Declaration to be used in making its determination to approve, conditionally approve or deny any matter submitted to it for decision.

11.3.4 Consultants: With the consent of the Board, the Committee may hire and the Association shall pay consulting architects, landscape architects, urban designers, engineers, inspectors, and/or attorneys in order to advise and assist the Committee in performing its duties.

11.4 APPLICATION FOR APPROVAL OF IMPROVEMENTS: Any Owner, except Declarant and its designated agents, who wants to perform any Alteration for which approval is required shall notify the Committee in writing of the nature of the proposed work and shall furnish such information as may be required by the Architectural Standards or reasonably requested by the Committee.

11.5 BASIS FOR APPROVAL OF IMPROVEMENTS: The Committee may approve the proposal only if the Committee determines that (i) the plans and specifications conform to this Declaration and to the Architectural Standards in effect at the time the proposal was submitted and (ii) the proposed Alteration will be consistent with the standards of the Project and the provisions of this Declaration as to harmony of exterior design, visibility with respect to existing structures and environment, and location with respect to topography and finished grade elevation.

11.6 FORM OF APPROVALS, CONDITIONAL APPROVALS AND DENIALS: All approvals, conditional approvals and denials must be in writing. Any denial of a proposal must state the reasons for the decision to be valid. Any proposal which has not been rejected in writing within sixty (60) days from the date of submission will be deemed approved.

11.7 WORK: Upon approval of the Committee, the Owner must diligently proceed with the commencement and completion of all work so approved. Completion of the-work approved must occur within one (1) year following the approval of the work unless the Architectural Committee grants an extension. This Section shall not be interpreted to extend any other time period imposed by this Declaration. If the Owner fails to complete the work within the required time period, the Committee may notify the Owner in writing of the non-compliance and shall proceed in accordance with the provisions of Section 11.9, below.

11.8 DETERMINATION OF COMPLIANCE: Any work performed, whether or not the Owner obtained proper approvals, may be inspected and a determination of compliance made as follows:

11.8.1 Notice of Completion: Upon the completion of any work performed by an Owner for which approval was required, the Owner must give written notice of completion to the Committee.

11.8.2 Inspection: Within sixty (60) days after the Committee's receipt of the Owner's notice of completion, or, if the Owner fails to give a written notice of completion to the Committee within the completion period specified in Section 11.7, above, a designee of the Committee may inspect the work performed and determine whether it was performed and completed in substantial compliance with the approval granted. If the Committee finds that the work was not performed or completed in substantial compliance with the approval granted or if the Committee finds that the approval required was not obtained, the Committee shall notify the Owner in writing of the non-compliance. The notice shall specify the particulars of non-compliance and require the Owner to remedy the non-compliance.

11.9 FAILURE TO REMEDY THE NON-COMPLIANCE: If the Committee has determined that an Owner has not constructed an Improvement consistently with the specifications of the approval granted or within the time permitted for completion and if the Owner fails to remedy such non-compliance in accordance with the provisions of the notice of non-compliance, then after the expiration of thirty (30) days from the date of such notification, the Committee shall notify the Board, and the Board shall provide Notice and Hearing to consider the Owner's continuing non-compliance. At the Hearing, if the Board finds that there is no valid reason for the continuing non-compliance, the Board shall determine the estimated costs

of correcting it. The Board shall then require the Owner to remedy or remove the same within a period of not more than forty-five (45) days from the date of the Board's determination. If the Owner does not comply with the Board's ruling within such period or within any extension of such period as the Board, in its discretion, may grant, the Board may either remove the non-complying Improvement or remedy the non-compliance. The costs of such action shall be assessed against the Owner as a Reimbursement Assessment.

11.10 WAIVER: Approval of any plans, drawings or specifications for any work proposed, or for any other matter requiring approval shall not be deemed to constitute a waiver of any right to deny approval of any similar plan, drawing, specification or matter subsequently submitted for approval.

11.11 APPEAL OF DECISION OF COMMITTEE: This Section does not apply if the Board has dissolved the Committee or during the period of time that a majority of the Members of the Architectural Committee have been appointed by Declarant. If the Owner who applied or who the Committee determined should have applied for approval of an Alteration on a Parcel or Building disputes the jurisdiction or powers of the Committee or any requirement, rule, regulation or decision of the Committee applicable to the denial or conditional approval of the Owner's application (collectively referred to as "decision"), that Owner may appeal such decision to the Board. The Board shall notify the Owner of the time, date and place of a hearing to review the decision of the Committee. The notice shall be given at least fifteen (15) days prior to the date set for the hearing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after it has been deposited in the United States mail, first class, postage prepaid, addressed to the Owner at the address given by the Owner to the Board for the purpose of service of notices or to the address of the Owner's Parcel if no other address has been provided. After the hearing has taken place, the Board shall notify the Owner of its decision. The decision shall become effective not less than five (5) days after the date of the hearing. The determination of the Board shall be final.

11.12 NO LIABILITY: If members of the Architectural Committee have acted in good faith, neither the Committee nor any member will be liable to the Association or to any Owner for any damage, loss or prejudice suffered or claimed due to: (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective; (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings, and specifications; (c) the development of any property within the Project; or (d) the execution and filing of any estoppel certificate, whether or not the facts therein are correct.

11.13 EVIDENCE OF APPROVAL OR DISAPPROVAL: After a determination of compliance is made pursuant to Section 11.8, the Board may issue a written Notice of Architectural Determination. The Notice of Architectural Determination must be executed by any two (2) Directors and shall certify that as of the date of the Notice either (i) the work completed complies with the provisions of this Declaration and the approval(s) issued by the Architectural Committee ("Notice of Approval") or (ii) the work completed does not comply with the provisions of this Declaration or the approval(s) issued by the Architectural Committee ("Notice of Disapproval"). A Notice of Disapproval must also identify the particulars of the non-compliance. Any successor in interest of the Owner will be entitled to rely on a Notice of Architectural Determination with respect to the matters set forth. Each Owner must disclose to

the Owner's subsequent purchaser any Notice of Disapproval unless the Owner has a subsequently issued Notice of Approval which covers the same Alteration. The Notice of Architectural Determination will be conclusive as between the Association, the Architectural Committee, Declarant and all Owners and such persons deriving any interest through any of them. Any Owner may make a written request that the Board prepare and execute a Notice of Architectural Determination, and the Board must do so within sixty (60) days of its receipt of the request.

ARTICLE XII
MISCELLANEOUS PROVISIONS

12.1 TERM OF DECLARATION: This Declaration will continue for a term of fifty (50) years from its date of recordation. Thereafter, this Declaration will be automatically extended for successive periods of ten (10) years until two-thirds (2/3) of the Owners approve a termination of this Declaration.

12.2 CONSTRUCTION OF PROVISIONS: The provisions of this Declaration are to be liberally construed to effect its purpose of creating a uniform plan for the development and operation of a planned development pursuant to the provisions of the Davis-Stirling Common Interest Development Act, Section 1350 et seq. of the California Civil Code.

12.3 BINDING: This Declaration is for the benefit of and binding upon all Owners, their respective heirs, legatees, devisees, executors, administrators, guardians, conservators, successors, purchasers, tenants, encumbrancers, donees, grantees, mortgagees, lienors and assigns.

12.4 SEVERABILITY OF PROVISIONS: The provisions hereof shall be deemed independent and severable, and the invalidity or unenforceability of any one provision will not affect the validity or enforceability of any other provision hereof.

12.5 GENDER. NUMBER AND CAPTIONS: As used herein, the singular includes the plural and masculine pronouns include feminine pronouns, where appropriate. The title and captions of each paragraph hereof are not a part thereof and shall not affect the construction or interpretation of any part hereof.

12.6 REDISTRIBUTION OF PROJECT DOCUMENTS: Upon the resale of any Parcel by any Owner, the Owner must supply a copy of each of the Project Documents to the buyer of the Parcel.

12.7 EXHIBITS: All exhibits attached to this Declaration are incorporated by this reference as though fully set forth herein.

12.8 REQUIRED ACTIONS OF ASSOCIATION: The Association shall at all times take all reasonable actions necessary for the Association to comply with the terms of this Declaration or to otherwise carry out the intent of this Declaration.

12.9 SUCCESSOR STATUTES: Any reference in the Project documents to a statute will be deemed a reference to any amended or successor statute.

12.10 CONFLICT: In the event of a conflict, the provisions of this Declaration will prevail over the Bylaws and the Rules.

IN WITNESS WHEREOF, the undersigned has executed this Declaration on the 6th day of July, 2001.

DECLARANT: GREENVILLE INVESTORS L.P., a California limited partnership

By: /s/ W. A. Drummond

Name: W.A. DRUMMOND

Title: Vice President

Greenville Ventures, Inc.
General Partner

STATE OF CALIFORNIA
}ss.
COUNTY ALAMEDA

On July 6, 2001, before me, Stacey M. Fortner, Notary Public, personally appeared William A. Drummond, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity), and that by his signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

/s/ Stacey M. Fortner
Notary Public

STACEY M. FORTNER
COMMISSION # 1233595
NOTARY PUBLIC - CALIFORNIA
ALAMEDA COUNTY
MY COMM. EXPIRES AUG 31, 2003

EXHIBITS

A	Maintenance Plat - Association Maintained Areas
B-1	Maintenance Plat - Shared Maintenance Area
B-2	Maintenance Plat - Shared Maintenance Area

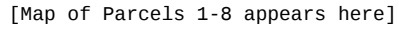

EXHIBIT A
ASSOCIATION MAINTAINED
AREAS
JMH WEISS INC.

DESCRIPTION TO ACCOMPANY
EXHIBIT A

The Association Maintained Areas shall consist of all landscape areas abutting the public right-of-way, all textured paving at the drive entries to the site, all under and above ground utilities and the hardscape and landscape areas designated on Exhibit A.

Refer to Exhibit A for area designations.

[Map of Parcels 1-3 appears here]

EXHIBIT B-1
SHARED MAINTENANCE
AREA
JMH WEISS INC.

[Map of Parcels 4-6 appears here]

EXHIBIT B-2
SHARED MAINTENANCE
AREA
JMH WEISS INC.

DESCRIPTION TO ACCOMPANY
EXHIBITS B-1 AND B-2

The shared maintenance areas include the hardscape, underground and above ground utilities in between buildings excluding all landscape islands, transformers and trash enclosures, which shall be the responsibility of the owner of the parcel on which they are located. The shared maintenance areas shall not include any hardscape, underground or above ground utilities within 5-feet of the buildings.

Refer to exhibits B-1 and B-2 for the area designations.

The following is a breakdown of the Shared Maintenance Areas

Shared Maintenance Area A

Parcel 1		50%
Parcel 3		50%

Shared Maintenance Area B

Parcel 1	-	25%
Parcel 2	-	50%
Parcel 3	-	25%

Shared Maintenance Area C

Parcel 4	-	50%
Parcel 6	-	50%

Shared Maintenance Area D

Parcel 4	-	25%
Parcel 5	-	50%
Parcel 6	-	25%

SUBORDINATION AND CONSENT

HOUSING CAPITAL COMPANY, a Minnesota partnership ("Lender") as Beneficiary under the deed of trust ("Deed of Trust") executed by GREENVILLE INVESTORS, L.P., a California limited partnership, and recorded on June 9, 2000, as Series No. 2000173764 in the Official Records of the County of Alameda, State of California, hereby subordinates the lien of the Deed of Trust to the lien of the Declaration of Covenants, Conditions and Restrictions of Pacific Corporate Center ("Declaration") to which this Subordination and Consent is attached to the same extent and with the same force and effect as though the Declaration had been executed and recorded prior to the execution and recordation of the Deed of Trust.

Dated: July 27, 2001

LENDER:

HOUSING CAPITAL COMPANY, A MINNESOTA PARTNERSHIP

BY: DFP Financial, Inc., a California partnership
ITS: Managing General Partner

/s/ Norma J. Avery
- ------------------
BY: Norma J. Avery
ITS: Vice President

STATE OF CALIFORNIA
ss.
COUNTY OF SAN MATEO

On July 27, 2001, before me, Carolyn R Shipley, a Notary Public, personally appeared Norma J. Avery, personally known to me (or 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 on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

/s/Carolyn R. Shipley

CAROLYN R. SHIPLEY
COMMISSION # 1256748
NOTARY PUBLIC - CALIFORNIA
SAN MATEO COUNTY
MY COMM. EXPIRES MAR 13, 2004

EXHIBIT H

NON-DISCLOSURE AGREEMENT

FFI Contact Name: ---------- FFI Contact Phone: ----------

FORMFACTOR, INC.
NON-DISCLOSURE AGREEMENT

(COMPANY)

This Non-Disclosure Agreement ("Agreement") dated as of _____ ("Effective Date"), is by and between FormFactor, Inc. ("FormFactor"), a Delaware corporation, having an office at 5666 La Ribera Street, Livermore, CA 94550, and

Name: ,_____ having an office at

Street Address:_____,

City, State, Zip Code: _____, on its own behalf and on behalf of its parents, subsidiaries and affiliated companies (collectively "Recipient").

FormFactor desires to disclose, and Recipient desires to receive for its own internal evaluation, information relating to certain of FormFactor's technologies and business strategies, which information is deemed to be confidential, secret and/or proprietary to FormFactor, for the sole purpose of assisting in the determination of their mutual interest in a business relationship ("Purpose"). Accordingly, FormFactor and Recipient agree as follows:

1. CONFIDENTIAL INFORMATION.

1.1 "Confidential Information" shall mean:

(a) All information disclosed by FormFactor to Recipient whether such information is disclosed in written, graphic, electronic, oral or sample form; and

(b) All component specifications, component and contact structures, equipment designs, electronic configurations, manufacturing processes and methodologies, including any information which can be obtained by examination, testing, repair, reverse engineering and analysis of any hardware, or component part thereof comprising, relating to, or a part of a product manufactured or assembled with FormFactor's technology, notwithstanding the fact that the requirements for marking and designation referred to in Paragraph 2.1 have not been fulfilled.

1.2 Confidential Information shall not include information that Recipient can demonstrate, through extant, contemporaneously prepared, written records:

(a) Is or becomes part of the public domain through no fault or breach on the part of Recipient, any of its subsidiaries, affiliates or persons to whom Confidential Information is disclosed as permitted by this Agreement; or

(b) Is known to Recipient or any of its subsidiaries or affiliates prior to the disclosure by FormFactor; or

(c) Is subsequently rightfully obtained by Recipient or any of its subsidiaries or affiliates from a third party who has the legal right to disclose or transfer it to Recipient.

2. DISCLOSURE AND PROTECTION OF CONFIDENTIAL INFORMATION.

2.1 As to any information which FormFactor regards as "Confidential Information", disclosures by FormFactor following the Effective Date are subject to and in FormFactor's sole and absolute discretion and will be made as follows:

(a) If such information is in writing, or in a drawing, or in some other tangible form, such information at the time of such disclosure will be clearly marked as "Confidential Information"; and

(b) In the event that such information is orally disclosed, as may happen during exchanges between the parties, FormFactor shall state that the information disclosed is Confidential Information.

2.2 As to any information whether or not specifically designated by FormFactor as "Confidential Information" (as hereinabove described), FormFactor reserves all of its rights and remedies as may now or in the future be accorded to FormFactor under the patent and copyright laws as may apply to the disclosure or use of such information by Recipient.

2.3 Recipient shall use Confidential Information solely and exclusively for the purpose of this Agreement. Recipient shall not use Confidential Information for the benefit of any other party, or disclose, publish, disseminate or copy Confidential Information or any part thereof, to any other person, corporation or other organization without, in each case, obtaining the prior written consent of FormFactor. Recipient shall restrict any and all circulation of Confidential Information to a limited number of its employees on a "need to know basis" for the exclusive purpose of reviewing the Confidential Information for the Purpose of this Agreement. Recipient acknowledges that all information is provided "AS IS" and without any warranty, whether express or implied, as to its accuracy or completeness, non-infringement or use for particular purpose.

2.4 Recipient shall not reverse engineer, decompile or disassemble any of the Confidential Information or any products or samples containing Confidential Information; provided, however, Recipient may examine FormFactor's products or samples for the sole purpose of internally evaluating them. Recipient may examine FormFactor's products or samples for the sole purpose of internally evaluating them. Recipient shall use its best efforts to safeguard against the unauthorized use or disclosure of Confidential Information, and take security precautions at least as great as the precautions it takes to protect its own confidential and proprietary information and materials.

2.5 Notwithstanding anything to the contrary herein provided, Recipient shall not:

(a) Deliver or leave any samples; parts or products containing Confidential Information to or with third party;

(b) Disclose to any third party the manufacturing or assembly process used by FormFactor, or the structure of FormFactor's electronic interconnect technology products; and/or

(c) Disclose to any third party any evaluation and testing date or results, unless FormFactor gives prior written approval of such disclosure.

2.6 Neither execution of this Agreement nor the furnishing of any Confidential Information to Recipient shall be construed as granting to Recipient, either expressly or by implication, estoppel, or otherwise, any license or right to (a) make use of any such Confidential Information, or (b) any patents or other intellectual property of FormFactor, other than for the

purpose. Recipient agrees that neither it nor any of its subsidiaries, affiliates or representatives will use Confidential Information for outer than the purpose without the specific and written express consent of FormFactor prior to such use. Furthermore, Recipient agrees that Confidential Information is the sole property of FormFactor and that Recipient has no proprietary interest in such information whatsoever.

2.7 Within ten (10) business days of receipt of FormFactor's written request, Recipient will return to

FormFactor all information and materials, including but not limited to documents, drawings, programs, lists, models, records, compilations, notes, extracts, summaries, and any samples or parts containing Confidential Information, and all copies thereof containing Confidential Information, regardless of whether prepared by FormFactor or Recipient or any of its subsidiaries, affiliates or representatives. Fur purposes of this Paragraph 2.7, the term "documents" includes all information fixed in any tangible medium or expression, in whatever furor or format whether known or hereafter created.

2.8 Recipient hereby acknowledges and agrees that unauthorized use or disclosure of Confidential Information Would cause serious and irreparable harm and significant injury to FormFactor that may be difficult or impossible to ascertain. Accordingly, Recipient agrees that FormFactor will have, in addition to all outer remedies at law or in equity, the right to seek and obtain immediate injunctive relief for the actual or threatened unauthorized use or disclosure of Confidential Information. Recipient shall notify FormFactor immediately upon the discovery of any unauthorized disclosure or use of Confidential Information, or any other breach of this Agreement by Recipient. Recipient will cooperate with FormFactor in every reasonable way to help FormFactor regain possession of the Confidential Information and prevent further unauthorized use.

3. EXPORT RESTRICTIONS. Recipient agrees that it will not in any form export, reexport, resell, ship or divert or cause to be exported, reexported, resold, stripped or diverted, directly or indirectly, any product or technical data to any country for which the United States Government or any agency thereof at the time of export or reexport requires an export license or other government approval without first obtaining such approval.

4. TERMS. This Agreement shall be effective as of the Effective Date and may be terminated by FormFactor with respect to further disclosures upon thirty (30) days written notice. All obligations of confidentiality and restrictions on the use of Confidential Information created under and by this Agreement shall remain in force and effect for five (5) years from the date any Confidential Information is or was disclosed by FormFactor Recipient or, in the event that FormFactor and the Recipient enter into a business relationship following the date of this Agreement, five (5) years following the date such business relationship terminates, whichever is later. All other terms and conditions of this Agreement shall survive the termination of this Agreement.

5. NO OBLIGATIONS. This Agreement and any action taken pursuant to the terms and conditions hereof shall not obligate either party to enter into any other business relationship. The terms and conditions of any such relationship shall be subject to separate negotiation and agreement of the parties.

6. MISCELLANEOUS.

6.1 This Agreement is the entire agreement between FormFactor and Recipient with respect to the subject matter contained herein and supersedes any prior or contemporaneously oral or written agreements concerning this subject matter. This Agreement may not be amended except by written agreement signed by authorized representatives of both parties. No waiver of any provision of this Agreement shall constitute a waiver of any other provision(s) or of the same provision on another occasion. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remaining provisions shall remain in full force and effect.

6.2 This Agreement may not be assigned or transferred by Recipient without FormFactor's prior written consent.

6.3 This Agreement will be governed and construed in accordance with the laws of the State of California, without regard to its conflict of laws principles. The parties hereby agree to submit themselves to the jurisdiction of the federal and state courts within Santa Clara County, California.

IN WITNESS THEREOF, FormFactor and Recipient have executed this Agreement as of the Effective Date.

"FORMFACTOR":	"RECIPIENT":
FormFactor, Inc.	Name: _____ (Individual or Company, as applicable)
By: _____ (Signature)	By: _____ (Signature)
Name: _____ (Printed Name)	Name: _____ (Printed Name)
Title: _____ (Authorized Officer)	Title: _____ (Authorized Officer)

EXHIBIT I

LIST OF COMPETITORS

The following is a list of Tenant's competitors:

Kulicke and Soffa
Wentworth
JEM
MJC
Tessera
Cascade Microtech
Feinmetal

EXHIBIT J

ACKNOWLEDGEMENT OF COMMENCEMENT DATE

THIS ACKNOWLEDGMENT OF COMMENCEMENT DATE is made as of _____, 2001, by and between the undersigned parties with reference to that certain Lease (the "LEASE") dated as of _____, by and between Greenville Investors, L.P., as "LANDLORD" therein, and Form Factor, Inc. as "TENANT," for the premises commonly known as "BUILDING 1", located in the Pacific Corporate Center, in the City of Livermore, California, as more particularly described in the Lease. All capitalized terms referred to herein shall have the same meaning defined in the Lease, except where expressly provided to the contrary.

1. Landlord and Tenant hereby confirm that in accordance with the provisions of the Lease, the Commencement Date of the Term has occurred and is _____, and that, unless sooner terminated, the initial term thereof expires on _____. If Tenant elects to exercise its first extension option pursuant to the terms of the Lease, Tenant must deliver written notice to Landlord by no later than _____.

2. This Acknowledgment of Commencement Date shall inure to the benefit of, and bind, the parties hereto, and their respective heirs, successors and assigns, subject to the restrictions upon assignment and subletting contained in the Lease.

IN WITNESS WHEREOF, the parties have executed this acknowledgement of Commencement Date as of the date first above written.

LANDLORD:	TENANT:
GREENVILLE INVESTORS, L.P. a California limited partnership	FORM FACTOR, INC.,
By: Greenville Ventures, Inc.	By: ----------
Title: Greenville Partner	Its:
By: ----------	
Its: ----------	

EXHIBIT 10.19
CONFIDENTIAL TREATMENT REQUESTED

PACIFIC CORPORATE CENTER LEASE

by and between

GREENVILLE INVESTORS, L.P.,
a California limited partnership

as "LANDLORD"

and

FORMFACTOR, INC.,
a Delaware corporation

as "TENANT"

Dated as of May 3, 2001

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately.

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SCHEDULE OF EXHIBITS

PACIFIC CORPORATE CENTER LEASE

THIS LEASE is made and entered into as of May 3, 2001, by and between GREENVILLE INVESTORS, L.P. a California limited partnership (hereafter, "LANDLORD"), and FORMFACTOR, INC., a Delaware corporation (hereafter "TENANT").

A. DEMISE. Landlord hereby leases, demises and lets to Tenant, and Tenant hereby leases, hires and takes from Landlord those certain premises ("the PREMISES") described as follows:

That commercial building consisting of approximately 36,059 square feet of gross leasable area ("GLA"), designated as Building 2 on the Site Plan attached hereto as Exhibit A ("BUILDING 2") and to be constructed by Landlord and Tenant in accordance with Article 8 and Exhibit C hereof. The exterior walls, roof, air space above and the area beneath Building 2 are not demised and their use together with the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through the Premises in locations that will not materially interfere with Tenant's use and serving other parts of Building 2, are hereby reserved to the Landlord, except as otherwise expressly provided herein.

The Premises is located at 7401 Longard Road, Livermore, California on the real property more particularly described and shown on Exhibit B as Parcel 2 ("PARCEL 2") and is a part of Pacific Corporate Center, a common interest development being developed by Landlord in the City of Livermore, Alameda County, California, (the "CENTER") which includes eight (8) parcels of real property together with all buildings and other structures and improvements to be constructed thereon and is more particularly described and shown on Exhibit B, the Center Legal Description and Parcel Map. All parcels of real property in the Center owned (in whole or in part) by Landlord from time to time are hereinafter collectively referred to as "LANDLORD'S PARCELS".

B. TERMS, COVENANTS AND CONDITIONS. The parties agree that this Lease is made upon the following terms, covenants and conditions:

ARTICLE 1. BASIC TERMS

In all instances, the basic terms set forth in this Article 1 are subject to the main body of the Lease in general and those Articles noted in parentheses in particular.

(a)	TERM: Ten (10) Lease Years; four (4) options of 5 years each	(Art.2; Addendum A-2.1)
(b)	INITIAL MONTHLY BASE RENT: $46,876.70 ($1.30 psf of GLA)	(Art 3)
(c)	LETTERS OF CREDIT: One in the amount of $562,520 (12 months Base Rent) One in the amount of $281,260 (6 months Base Rent)	(Art. 5)
(d)	TENANT'S INITIAL ESTIMATED MONTHLY OPERATING EXPENSE PAYMENT: $3,029.00	(Art.10)
(e)	TENANT'S INITIAL ESTIMATED MONTHLY TAX PAYMENT: $6,364.00	
(f)	COMMENCEMENT DATE: The Delivery Date as defined in Article 8	(Art. 2)
(g)	USE: Office and light manufacturing services, "clean rooms", and related lawful purposes	(Art. 4)
(h)	TENANT IMPROVEMENT ALLOWANCE: $901,475 ($25.00 psf of GLA)	(Exhibit C)
(i)	ARTICLES AND EXHIBITS: This Lease consists of Articles 1 through 32, Addendum to Lease, and Exhibits A, B, C, D, E, F, F-1, G, H, I and J attached hereto, which are by this reference incorporated herein.	

ARTICLE 2. TERM

2.1 Landlord and Tenant have entered into a lease of even date hereof for Building 1 located on Parcel 1 in the Center (the "BUILDING 1 LEASE"). The Term of this Lease shall commence on the date ("COMMENCEMENT DATE") that the Premises are delivered to Tenant in the Delivery Condition (as defined in Article 8) and shall terminate at midnight on the date of expiration of the initial term of the Building 1 Lease.

See Addendum A-2.1.

2.2 The first "LEASE YEAR" shall begin on the Commencement Date and shall expire on the last day of the month, twelve (12) full calendar months next following the Commencement Date. If the Commencement Date occurs on the first day of the calendar month, then the first Lease Year shall end on the day immediately preceding the first anniversary of the Commencement Date. Subsequent Lease Years shall be each consecutive twelve (12) calendar month period thereafter except for the last Lease Year which may be a partial Lease Year.

2.3 Promptly after the Commencement Date, Landlord and Tenant shall execute a written acknowledgment of the Commencement Date in the form attached hereto as Exhibit J.

ARTICLE 3. BASE RENT

3.1 Tenant agrees to pay without offset or deduction of any kind (except as expressly set forth in this Lease) the initial monthly Base Rent amount set forth in Paragraph 1(b) above and as adjusted pursuant to Section 3.2, in advance at Landlord's address on the first day of each calendar month during the Term of this Lease. Tenant's obligation to pay Base Rent shall commence on the Commencement Date. If the Commencement Date is not the first day of a calendar month, the first month's rent shall be prorated on the basis of a thirty (30) day month, and shall be payable with the first full monthly rental due hereunder. Landlord's address shall be as set forth below its signature, or as from time to time designated by Landlord to Tenant in writing.

3.2 As of the date of commencement of the second Lease Year and as of the commencement of each Lease Year during the initial Lease Term thereafter, the monthly Base Rent shall increase by four percent (4%) over the monthly Base Rent in effect immediately preceding the applicable adjustment date.

ARTICLE 4. USE OF PREMISES

4.1 The Premises shall be used and occupied only for the purposes described in Paragraph 1(g) above and for other uses permitted within the light industrial zoning district within which the Premises is located, unless prohibited by the Declaration, and provided Tenant's use otherwise complies with all applicable governmental requirements. Tenant shall not use the Premises for any other purposes without Landlord's prior written consent, which consent may be withheld in Landlord's sole discretion. Without limiting the foregoing, it is acknowledged that Tenant may elect to use a portion of the Premises for an employee cafeteria and kitchen facilities provided that all construction of such facilities is performed in accordance with the provisions of Section 9.5 hereof.

4.2 Tenant shall not do or permit to be done in or about the Premises anything which is illegal or unlawful; or which will cause cancellation of any insurance on the building of which the Premises are a part. Tenant shall not obstruct or interfere with the rights of any other tenants and occupants of the Center or their invitees, nor injure them, nor operate the Premises in a manner which unreasonably disturbs other tenants in the use of their premises in the Center. Tenant shall not cause, maintain or permit any nuisance on or about the Premises. Tenant shall not use nor permit the use of the Premises or any part thereof as living quarters.

4.3 Tenant acknowledges that although Landlord has permitted Tenant the use of Premises for the purpose described in this Article, neither Landlord nor any agent of Landlord has made any representation or warranty to Tenant with respect to the suitability of the present zoning of the Building for such use. Tenant assumes all responsibility for investigating the suitability of the zoning for its use and for compliance with all other laws and regulations governing such use.

4.4 Tenant shall have use of, and access to, the Premises twenty four (24) hours per day, three hundred sixty five (365) days per year, subject to the provisions of this Lease and ordinances and regulations of applicable governmental agencies.

4.5 Tenant agrees that, at its own cost and expense, it will comply with and conform to all Legal Requirements (as defined in Section 4.7(d) below) in any way relating to the use or occupancy of the Premises throughout the entire term of this Lease; including the Livermore Fire Code requiring all tenants to obtain fire extinguishers for the Premises and maintain them so that they are fully charged and operational at all times and inspected annually. Further, subject to Landlord's obligation to deliver the Premises to Tenant in the Delivery Condition, Tenant shall thereafter be obligated at its own cost and expense to take such action and perform such work (including structural alterations) to the Premises, as required to comply with the Americans with Disabilities Act ("ADA") and other applicable handicapped access codes. Further, if, and to the extent, due to Tenant's use of, or alterations to, or work performed by Tenant in the Premises, changes, alterations or improvements to Building 2, Parcel 2 or other portions of the Center are required by any governmental agency, Tenant shall be responsible for the costs of such changes, alterations and improvements. Notwithstanding the foregoing, nothing contained herein shall limit or affect any representations, warranties or covenants of Landlord or any of Landlord's contractors with respect to any work performed pursuant to Article 8 or Exhibit C. Except to the extent of Tenant's compliance obligations set forth above, Landlord shall be obligated to comply with all Legal Requirements, including, without limitation, the ADA and other applicable handicapped access codes, with respect to all portions of Parcel 2 outside of Building 2, subject to reimbursement as specifically set forth in this Lease and further subject to the terms of the Declaration.

4.6 Tenant shall place no loads upon the floors, walls, ceilings or roof of the Building in excess of the maximum design load of Building 2.

4.7 HAZARDOUS SUBSTANCES:

A. HAZARDOUS SUBSTANCE; REPORTABLE USES: As used herein, the terms "HAZARDOUS SUBSTANCE" and "HS" shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment, or the Premises; (ii) regulated or monitored by any governmental authority; or (iii) a basis for potential liability of Landlord to any governmental agency or third party under any applicable statute. Hazardous Substance shall include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products or by-products thereof. "REPORTABLE USE" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and (iii) the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable HS Requirements (as defined in subparagraph (F) hereinafter) require that a notice be given to persons entering or occupying the Premises or neighboring properties.

B. TENANT'S USE OF HAZARDOUS SUBSTANCES:

(1) Notice of Use of Hazardous Substances. Tenant may, without Landlord's prior consent, but upon notice to Landlord and in compliance with all Applicable HS Requirements and all other provisions of this Section 4.7, at Tenant's sole cost and expense, (i) operate a business on the Premises which is substantially similar to the business it is operating at its facilities in Livermore, California as of the Commencement Date, i.e. research, development, design, manufacture (including with clean room facilities), and sale of electronic components and devices relating to the testing and packaging of semiconductor devices and to probing technology, and to wafer-level burn-in and packaging and chip scale packaging of semiconductor devices ("PERMITTED USE"), and (ii) use any ordinary and customary Hazardous Substances reasonably required to be used by Tenant in the normal course of the Permitted Use.

(2) Tenant's HS Use. Tenant shall have the right to use the Hazardous Substances listed on Exhibit F without Landlord's prior consent and without the requirement of additional insurance. Tenant shall use all such Hazardous Substances in accordance with all Applicable HS Requirements and in compliance with all other

provisions of this Section 4.7, specifically including the notice requirements and restrictions set forth below. Tenant's use of the substances referenced in Exhibit F may be referred to herein as "TENANT'S HS USE".

(3) Control of HS Hazards.

(a) Plans for Designated HS Areas. Tenant shall use, store, or otherwise manage HS only in areas designated by Tenant for such use ("DESIGNATED HS AREAS"). Prior to commencement of Tenant's HS Use on the Premises, and prior to modification of or addition to any Designated HS Areas, Tenant shall provide Landlord with written plans (such as architectural or engineering plans) regarding the design and planned operation of the Designated HS Areas. The plans shall include descriptions of the types and quantities of HS that will be used, stored, or otherwise managed in Designated HS Areas, the maximum design capacity of each Designated HS Area and descriptions of all equipment and structures that will be used to control environmental, health, and safety hazards associated with the HS, including, for example, secondary containment structures and air pollution control equipment. Tenant will also provide copies of all permits and other approvals required to be obtained to lawfully operate Tenant's business and Hazardous Substances on the Premises.

(b) Commencement of Tenant's HS Use. Tenant shall not commence Tenant's HS Use until Landlord has approved the plans submitted by Tenant pursuant to subparagraph (a) above, which approval shall not be unreasonably withheld or delayed. Landlord may (but without any obligation to do so) condition its approval upon Tenant's taking such measures as Landlord, at its reasonable discretion, deems necessary to protect itself, the public, the Premises, the Center, and the environment against damage, contamination, injury, and/or liability, including, but not limited to the installation (and, at Landlord's option, removal on or before Lease expiration or earlier termination) of reasonably necessary protective equipment, structures, or modifications to the Premises. Tenant's plans shall be deemed approved, however, if Tenant's plans comply with the requirements of subparagraph (a) and the minimum standards set forth on Exhibit F-1.

(c) Modification/Expansion of Designated HS Areas. Tenant shall not modify or add to the Designated HS Areas until Landlord has approved the plans submitted by Tenant pursuant to subparagraph (a) above for the modification or addition, which approval shall not be unreasonably withheld or delayed. Tenant's plans shall be deemed approved, however, if Tenant's plans for the modification or addition comply with the requirements of subparagraph (a) and the minimum standards set forth on Exhibit F-1.

(4) Notice of HS Use. Tenant shall notify the Landlord in writing at least five (5) business days prior to any of the following:

(a) the date Tenant first commences Tenant's HS Use on the Premises; or

(b) the date Tenant commences to store or use any Hazardous Substance which is not listed on Exhibit F (a "NEW HS"), if the quantity of the New Hazardous Substance exceeds either (i) 55 gallons of liquid, 500 pounds of solid, 200 cubic feet of compressed gas at standard temperature and pressure, or (ii) the applicable Threshold Planning Quantity listed in 40 CFR Part 355.

After receipt of a notice pursuant to subparagraph (b) above, if Tenant's use of the New HS in the Premises is materially more dangerous than Tenant's use of Hazardous Substances listed on Exhibit F, Landlord may require Tenant to obtain a policy of pollution liability insurance in a commercially reasonable form and amounts and with such insurer as may be reasonably approved by Landlord. For any insurance policy requirement, Landlord shall be named as an additional insured under such policy. Tenant shall deliver a certificate of any insurance required prior to bringing the Hazardous Substance into the Premises and Tenant shall maintain such insurance in effect until the closure requirements set forth in subparagraph (H) below have been satisfied or the New HS use ceases.

(5) Contents of New HS Notice. Each notice of a New HS shall specify the names and quantities of any New HS that Tenant intends to place on the Premises which exceeds the quantities described in subparagraph 4(b) above together with a copy of all permits and other approvals required to be obtained to lawfully use, store, or otherwise manage the New HS on the Premises. Tenant's notice shall also provide Landlord with information regarding the Designated HS Areas where the New HS will be used, stored, or otherwise managed, the

new aggregate quantities of all Hazardous Substances in Designated HS Areas, and the maximum design capacities of the Designated HS Areas (if changed or modified from the Designated HS Areas as initially approved consistent pursuant to Section 4.7(B)(3)(b) above).

(6) Increase in HS Quantities. If, at any time during the Term, Tenant intends to increase the quantity of existing Hazardous Substances and/or add New HS such that the aggregate quantity of all Hazardous Substances in any Designated HS Area on the Premises exceeds the maximum design capacity for the Designated HS Area, Tenant shall not increase quantities or add New HS until Landlord has consented to the modification of or addition to the Designated HS Areas, pursuant to Section 4.7(B)(3)(c) above.

(7) Restrictions on Quantity or Use of HS. Notwithstanding any other provision of this Lease, but subject to Tenant's right to engage in a Permitted Use consistent with the standards of Exhibit F-1, Tenant's use of Hazardous Substances at the Premises is subject to the following restrictions:

(a) Tenant shall not, without Landlord's consent, use any HS in quantities such that Tenant would be subject to requirements for preparation of a Risk Management Plan, as set forth in 40 CFR Part 68 (as such requirements exist on the date of execution of this Lease without regard to amendments which may be enacted after the date hereof) and such HS use is materially more dangerous than the HS use presently being carried on by Tenant.

(b) Tenant shall not, without Landlord's consent, use any HS which emits odors unless the odors can be controlled to the extent they are not present at objectionable levels in any areas exterior to the Premises that are accessible to other tenants of the Center or the general public. In the absence of any legal thresholds for identifying objectionable odors, other odor standards may be used, provided they are generally accepted as being scientifically valid.

(c) Tenant shall not, without Landlord's consent, use any HS in a manner that would result in "Significant Emissions". SIGNIFICANT EMISSIONS are defined as air emissions originating from the Premises for which under applicable federal or state law (i) notices or warnings must be given to other occupants of the Center or the general public based upon their proximity to the Building, as opposed to entry therein, or (ii) other occupants of the Center or the general public must receive special training and/or use personal protective equipment.

C. PLANS/REPORTS: Within ten (10) days after Tenant submits the same to any governmental authority, Tenant shall provide Landlord with copies of all hazardous materials business plans, permits and all other plans, reports and correspondence pertaining to storage/management of Hazardous Substances at the Premises, except waste manifests and routine monitoring reports.

D. DUTY TO INFORM LANDLORD: If Tenant knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises or Building or Center, other than as previously permitted or consented to by Landlord or there has been a spill, release or discharge of any Hazardous Substances in the Premises (other than discharges permitted, authorized or otherwise approved by the applicable governmental agencies regulating the same), Tenant shall immediately give Landlord written notice thereof, together with a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action, or proceeding given to, or received from, any governmental authority or third party concerning the presence, spill, release, discharge of, or exposure to, such Hazardous Substance including but not limited to all such documents as may be involved in any Reportable Use involving the Premises. Tenant shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises (including, without limitation, through the plumbing, storm, or sanitary sewer system).

E. INDEMNIFICATION: Tenant shall indemnify, protect, defend and hold Landlord, its agents, employees, lenders, and the Premises and Center, harmless from and against any and all damages, liabilities,

judgments, costs, claims, liens, expenses, penalties, loss of permits and attorneys' and consultants' fees arising out of or involving any Hazardous Substance to the extent brought into the Premises and/or Center by or for Tenant, its employees, agents or contractors. Tenant's obligations under this Section 4.7(E) shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Tenant, and, except as otherwise provided in Section 4.7(G), the cost of investigation (including reasonable consultants' and attorneys' fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by Landlord and Tenant shall release Tenant from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Landlord in writing at the time of such agreement.

F. TENANT'S COMPLIANCE WITH REQUIREMENTS: Tenant shall, at Tenant's sole cost and expense fully, diligently and in a timely manner, comply with all "LEGAL REQUIREMENTS", which term is used in this Lease to mean all laws, rules, regulations, ordinances, directives, covenants, easements and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau, relating in any manner to the Premises or Center (including but not limited to matters pertaining to (i) industrial hygiene, (ii) environmental conditions on, in, under or about the Premises, including soil and groundwater conditions, and (iii) the use, generation, manufacture, production, installation, maintenance, removal, transportation, storage, spill or release of any Hazardous Substance, which foregoing (ii) and (iii) Legal Requirements may be referred to as "APPLICABLE HS REQUIREMENTS"), now in effect or which may hereafter come into effect. Tenant shall, within twenty (20) business days after receipt of Landlord's written request made from time to time, provide Landlord with copies of all documents and information, including but not limited to permits, registrations, manifests, applications, reports and certificates, evidencing Tenant's compliance with all Applicable HS Requirements specified by Landlord, and shall within five (5) business days after receipt, notify Landlord in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving failure by Tenant or the Premises to comply with any Legal Requirements. Tenant shall be obligated to disclose to Landlord which Hazardous Substances are used at the Premises and how such Hazardous Substances are being handled (but in no event shall Tenant be required to disclose information regarding formulations or manufacturing processes or procedures related to such Hazardous Substances) notwithstanding that such information may be proprietary information or a trade secret. Landlord agrees to keep as confidential all such proprietary information delivered to Landlord (including, without limitation, Exhibit F) and which Tenant designates in writing as confidential, provided that Landlord may disclose the same when required by law or in litigation between Landlord and Tenant regarding such information or to Landlord's lenders or to prospective purchasers provided such parties have also agreed to keep the same confidential.

G. COMPLIANCE WITH LAW GOVERNING HAZARDOUS SUBSTANCES: Landlord, Landlord's agents, employees, contractors and designated representatives, and the holders of any mortgages, deeds of trust or ground leases on the Premises ("LENDERS") shall have the right to enter the Premises at any time in case of an emergency, and otherwise at reasonable times (but not more often than annually for inspection of Tenant's "clean room" on the Premises, if any, or more often than quarterly for inspection of other parts of the Premises), and upon no less than 10 days' notice, unless an emergency exists, for the purpose of inspecting the condition of the Premises and for verifying compliance by Tenant with this Lease and all Legal Requirements, and Landlord shall be entitled to employ experts and/or consultants in connection therewith (provided that such experts and/or consultants are not engaged in a business competitive with Tenant, or consult or give advice to any competitor of Tenant listed on Exhibit I) to advise Landlord with respect to Tenant's activities, including but not limited to Tenant's installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance on or from the Premises ("LANDLORD'S CONSULTANTS"). Prior to engaging any Landlord's Consultants, Landlord shall provide Tenant with written notice of the name of the proposed consultant and Tenant shall have five (5) business days to object to the engagement based upon Tenant's reasonable belief that engagement of the particular individual as Landlord's Consultant, and the consequent access to Tenant's facilities and proprietary information and trade secrets, could result in competitive injury to Tenant. Landlord shall not engage with a consultant as to whom Tenant has objected. Tenant shall cooperate with Landlord's Consultants inspecting the Premises, including responding to interviews (for a time period not to exceed four (4) hours for the initial site visit and two (2) hours for site visits thereafter). Landlord's Consultants shall at all times be escorted by Tenant, unless Tenant agrees otherwise. This and all rights to enter except in the event of an emergency are subject to Landlord, Landlord's agents, employees, contractors,

designated representatives, prospective purchasers and/or Lenders, as the case may be, executing Tenant' s standard non-disclosure agreement in the form attached hereto as Exhibit H. The costs and expenses of any such inspections shall be paid by the party requesting same and in no event shall be borne by or passed along to Tenant unless requested by Tenant, subject only to the proceeding sentence. If the inspection is performed due to a violation of Applicable HS Requirements, Tenant shall, upon request, reimburse Landlord or Landlord's Lender, as the case may be, as additional rent, for the costs and expenses of such inspections.

H. CLOSURE REQUIREMENTS: Prior to any termination of the Lease, Tenant, at its sole cost and expense (except as to those costs and expenses arising out of actions undertaken by Landlord or by a third party on behalf of Landlord), shall satisfy the following closure requirements with respect to the Hazardous Substances Tenant has used in the Premises during the Term:

(1) Comply with all applicable federal, state and local closure requirements with respect to Hazardous Substances;

(2) Prepare a closure plan (the "CLOSURE PLAN") that specifies the final disposition of all Hazardous Substances and equipment which may be contaminated with Hazardous Substances; cleaning and decontamination activities, and confirmation sampling (e.g. wipe samples, soil/ground water samples and/or indoor air quality samples, to the extent warranted by the site conditions then existing).

(3) At least sixty (60) days prior to the Lease termination, provide to Landlord a copy of the Closure Plan for review and reasonable approval. Landlord may, after consultation with Tenant, require modification of the Closure Plan to include additional activities, including sampling activities, if the site conditions indicate that there is a reasonable probability that "Significant Residual Contamination" is present. SIGNIFICANT RESIDUAL CONTAMINATION shall mean residual contamination which: (i) exceeds standards or guidance levels typically used by regulatory agencies in California for evaluating potential threats to human health or the environment; or (ii) would result in notification requirements under applicable state law of potential health risks to individuals on the Premises, other tenants of the Center, and/or the general public; or (iii) would result in potential environmental liability to Tenant or Landlord; or (iv) would result in the need for conducting any type of additional decontamination activities prior to leasing the Premises to a new tenant. If Landlord fails to request modification of the Closure Plan within ten (10) business days after its receipt thereof, Tenant's Closure Plan shall be deemed accepted.

(4) Notify Landlord of closure schedule and allow access to Landlord and/or Landlord's Consultants for inspections prior to commencing and following completion of the cleaning/decontamination activities.

(5) Notify Landlord of all sample analysis results, if any. Landlord may require additional closure activities if sampling results disclose Significant Residual Contamination.

(6) Prepare and provide to Landlord closure report documenting closure activities consistent with the Closure Plan and sample results, if any, following completion of all closure activities.

Closure shall be deemed to be complete upon Landlord's reasonable approval of the closure report and, if applicable, Landlord's receipt of a copy of the written closure approval from the local environmental agency with jurisdiction over the Hazardous Substances at the Premises.

I. SURVIVAL OF OBLIGATIONS: Tenant's obligations under this Section 4.7 shall survive the termination of this Lease. See Addendum A-4.7.

4.8 DECLARATION. Tenant acknowledges and agrees that this Lease shall be subject to and subordinate to a Declaration of Covenants, Conditions and Restrictions which will be recorded prior to the Delivery Date in the Official Records of Alameda County, California, which, together with all amendments from time to time, are collectively referred to as the "DECLARATION". A true and correct copy of the Declaration is attached hereto as

Exhibit G. Tenant agrees to be bound by and comply with all provisions of the Declaration. Upon recordation, Landlord shall deliver a copy of the recorded Declaration to Tenant.

See Addendum A-4.8.

ARTICLE 5. LETTERS OF CREDIT/SECURITY DEPOSIT

5.1 In order to secure the prompt and faithful performance by Tenant of all of the obligations of this Lease to be kept and performed by Tenant, upon execution of this Lease Tenant shall deliver to Landlord unconditional, clean, irrevocable, standby Letters of Credit (the "LETTER OF CREDIT") in the amounts specified in Paragraph 1(c) above.

5.2 Following the occurrence of an Event of Default under this Lease by Tenant, Landlord may (but shall not be required to) use, apply or retain all or any part of said Letters of Credit for the payment of any rent or any other sum in default, or for the payment of any other amount which Landlord may spend or become obligated to spend by reason of the Event of Default by Tenant, or to compensate Landlord for any other loss or damage which Landlord has suffered or may suffer by reason of Tenant's Event of Default. If any portion of said Letters of Credit is so used, applied or retained, prior to the date that the second payment of monthly rent is due after the date of such application, Tenant shall either increase the Letters of Credit to an amount sufficient to restore each to its original sum or pay to Landlord a cash security deposit in the amount which was applied (e.g. if the Landlord uses the Letter of Credit for payment of an overdue installment in March, Tenant shall restore the Letter of Credit amount or pay the required cash deposit to Landlord prior to May 1). Tenant's failure to do so shall constitute an Event of Default of this Lease, and Landlord may, without any further notice, exercise its remedies specified in Article 25 hereof.

5.3 Provided that on the applicable adjustment date no Event of Default exists nor has one occurred during the preceding twelve (12) month period, the Letter of Credit amounts shall be adjusted as follows:

(a) As of the last day of each of the first five (5) Lease Years, the amount of each Letter of Credit shall be reduced by ten percent (10%) of the original amount of such Letter of Credit,

(b) As of the last day of the sixth (6th) Lease Year the amount of each Letter of Credit shall be reduced by twenty-five percent (25%) of the original amount of such Letter of Credit,

(c) As of the first day of the eighth (8th) Lease Year Tenant may substitute for all outstanding Letters of Credit then in effect either a cash security deposit equal to two (2) months of then existing Rent for the Premises or a new Letter of Credit in the amount of two (2) months' Rent. The substitute security shall be retained until the end of the Term. Landlord shall not be required to keep any cash security deposit separate from its general funds and is in no event to be deemed a trustee thereof, and Tenant shall not be entitled to interest on any sums deposited or redeposited under this Article 5 and the same shall be subject to the provisions of Sections 5.2 and 5.5, and

(d) If the requirements for an adjustment are not met on any adjustment date, that date and each subsequent adjustment date (as the same may be deferred pursuant to this subparagraph (d)) shall be deferred on a month-by-month basis until the requirements are satisfied. (For example if the first adjustment date at the end of the fourth Lease Year was deferred for ninety days, all adjustment dates thereafter would also be deferred for ninety (90) days).

(e) Notwithstanding and without limiting or affecting the foregoing, at any time during the Term upon Tenant's written request to Landlord, submitted with evidence reasonably satisfactory to Landlord that Tenant has satisfied the financial criteria set forth below for two (2) consecutive calendar years and provided that no Event of Default then exists nor has one occurred during the twelve (12) month period preceding Tenant's request, Tenant may substitute for all outstanding Letters of Credit then in effect a cash security deposit or new letter of credit equal to four (4) months of the then existing Rent for the Premises. The cash deposit shall be held on the terms set forth in subsection (c) above and as of the eighth (8th) Lease Year shall be subject to reduction as provided in that subsection. Such substitution shall be effective upon written notice to Landlord together with reasonable evidence that the criteria have been satisfied for the required period. The financial criteria referred to above are as follows: (i) Tenant's Net Worth (defined as total assets less total liabilities less unamortized intangible assets less goodwill)

shall be at least $90,000,000, (ii) Tenant's Current Ratio (defined as current assets divided by current liabilities) shall be at least 1.5:1, and (iii) Tenant shall have positive annual earnings before income taxes, depreciation and amortization expenses.

5.4 All Letters of Credit required herein shall be on the following additional terms and conditions:

(a) Letters of Credit shall be payable on sight with the bearer's draft issued by and drawn on a major bank or other financial institution which is defined by ICC Publication 500 as empowered to issue Documentary credits and Standby Letters of Credit (the "ISSUING BANK") of Tenant's selection, subject to Landlord's reasonable approval. Landlord hereby approves Imperial Bank as an acceptable issuing bank. Each Letter of Credit shall state that it shall be payable against sight drafts presented by Landlord, accompanied by Landlord's statement that such drawing is in accordance with the terms and conditions of this Lease; no other document or certification from Landlord shall be required to negotiate the Letter of Credit. Landlord may designate any bank as Landlord's advising bank for collection purposes and any sight drafts for the collection of the Letter of Credit may be presented by the advising bank on Landlord's behalf.

(b) Each Letter of Credit shall be for a term of one (1) year and shall be substantially in the form of Exhibit D attached hereto. The Letter of Credit shall provide for its automatic extension for additional one year periods (subject to any reduction pursuant to Section 5.3 above, if applicable) unless the issuing bank notifies Landlord not less than sixty (60) days prior to its then expiration date that the Letter of Credit will not be extended. However, if the issuing bank notifies Landlord that the Letter of Credit will not be so extended, Landlord shall be entitled to draw against the Letters of Credit in the amount of the entire amount which remains unpaid. The fee for the maintenance of the Letters of Credit shall be at Tenant's sole cost and expense.

(c) Following the occurrence of an Event of Default by Tenant under this Lease, Landlord shall be entitled to draw against the Letters of Credit in the amount required to cure Tenant's Event of Default.

(d) If an Event of Default has occurred and remains uncured, Landlord shall not be required to exhaust its remedies against Tenant before having recourse to the Letters of Credit or to any other form of security held by Landlord or to any other remedy available to Landlord at law or in equity. Notwithstanding anything to the contrary herein, Landlord confirms and agrees that it will draw upon the Letter of Credit for any monetary Event of Default prior to taking any action to terminate the Lease by reason of such Event of Default. If the proceeds of Landlord's draw upon the Letter of Credit satisfies the monetary Event of Default and Tenant restores the Letter of Credit amount or pays a cash security deposit to Landlord as required in Section 5.2 above, Landlord shall have no further right to terminate this Lease by reason of such Event of Default.

(e) Each Letter of Credit shall be transferable. In the event of any sale, assignment or transfer by Landlord of its interest in the Premises or this Lease, Landlord shall have the right to assign or transfer the Letters of Credit to its grantee, assignee or transferee, and thereupon Landlord shall be discharged from any further liability with respect thereto and Tenant shall look solely to such grantee, assignee or transferee for the return of the Letters of Credit. The provisions of the preceding sentence shall likewise apply to any subsequent transferees. The first transfer shall be at no charge to Landlord. Any transfers of the Letters of Credit thereafter shall be at Landlord's expense.

5.5 If Tenant shall have fully satisfied all of its obligations under this Lease, both of the Letters of Credit shall be returned to Tenant within thirty (30) days after the termination of this Lease. If upon the expiration or termination of this Lease Tenant has not satisfied all of its obligations under this Lease, including but not limited to the requirements of Section 4.7 and Article 11 herein regarding Tenant's surrender of the Premises, then Landlord may draw down the Letters of Credit and may apply the amounts drawn toward the costs for the cleaning and/or repair and/or restoration of the Premises or the costs associated with Tenant's failure to perform other obligations. In the event Landlord's interest in this Lease is sold or otherwise terminated, Landlord shall have the right to transfer said Letters of Credit to its successor in interest.

ARTICLE 6. UTILITIES

6.1 Tenant, at its own cost and expense, shall pay for all water, gas, heat, electricity, garbage disposal, sewer charges, telephone, and any other utility or service charge related to its occupancy of the Premises, including but not limited to any hook- up charges. Utilities will be separately metered to the Premises. Tenant acknowledges that all water used with respect to the landscaping on Parcel 2 and the electricity for all outdoor lighting on Parcel 2 will be metered through the water and electrical meters for the Premises and billed directly by Tenant. Tenant will not be responsible for such expenses with respect to any other parcels in the Center.

6.2 Except to the extent arising out of Landlord's negligence or willful misconduct, Landlord shall not be liable in damages, consequential or otherwise, nor shall there be any rent abatement, arising out of any interruption or reduction whatsoever in utility services (i) which is due to fire, accident, strike, governmental authority, acts of God, acts of other tenants or other third parties, or other causes beyond the reasonable control of Landlord or any temporary interruption in such service, and (ii) which is necessary to the making of alterations, repairs, or improvements to the Center, or any part of it (all of which shall be conducted pursuant to Article 9), or (iii) to comply with energy conservation measures mandated by a governmental agency having jurisdiction over the Center.

ARTICLE 7. REAL PROPERTY TAXES

7.1 Tenant shall pay as Additional Rent all "Taxes" (as hereinafter defined) which may be levied, assessed or imposed against or become a lien upon Parcel 2, the tax parcel upon which Building 2 is located, which will be separately assessed. The term "TAXES" shall mean and include real estate taxes, assessments (special or otherwise), including impositions for the purpose of funding special assessment districts, water and sewer rents, rates and charges (including water and sewer charges which are measured by the consumption of the actual user of the item or service for which the charge is made) levies, fees (including license fees) and all other taxes, governmental levies and charges of every kind and nature whatsoever (and whether or not the same presently exist or shall be enacted in the future) which may during the term be levied, assessed, imposed, become a lien upon or due and payable with respect to, out of or for the Parcel 2 or any part thereof, or of any land, building or improvements thereon, or the use, occupancy or possession thereof; and imposed or based upon or measured by the rents receivable by Landlord for the Parcel 2, including gross receipts taxes, business taxes, business and occupation taxes.

"TAXES" shall also include interest on installment payments and all costs and fees (including reasonable attorney's and appraiser's fees) incurred by Landlord in contesting Taxes and negotiating with public authorities as to the same. Taxes shall not include, however, any franchise, estate, inheritance, corporation, transfer, net income, excess profits tax or any assessments levied by the Association pursuant to the Declaration. Association assessments shall be payable pursuant to the provisions of Section 10.4.

7.2 Tenant shall pay the Taxes with respect to any tax fiscal year during the term hereof. Landlord's estimate of Tenant's initial tax payment for Parcel 2 is that amount set forth in Paragraph 1(e) above.

7.3 Commencing with the Commencement Date, Tenant shall pay Landlord monthly, with each payment of monthly Base Rent, the amount computed in accordance with Paragraph 1(e) above as an impound toward the Taxes. Tenant's actual obligation for Taxes shall be determined and computed by Landlord not less often than annually and at the time each such computation is made, Landlord and Tenant shall adjust for any difference between impounded amounts and Tenant's actual share. Tenant shall pay Landlord any deficiency (or Landlord shall pay Tenant any surplus) within thirty (30) days after receipt of Landlord's written statement. At the time of each such computation, Landlord may revise the monthly payment for Taxes set forth in Paragraph 1(e) above by written notification to Tenant. Tenant shall pay its share of Taxes during each year of the Lease Term. Landlord shall furnish Tenant with a copy of the tax bills for the Parcel 2 supporting the amounts charged to Tenant by Landlord.

7.4 If this Lease shall terminate on any date other than the last day of a tax fiscal year, the amount payable by Tenant during the tax fiscal year in which such termination occurs shall be prorated on the basis which

the number of days from the commencement of said tax fiscal year to and including said termination date bears to 365. The obligation of Tenant under this Article 7 shall survive the termination of this Lease.

ARTICLE 8. CONSTRUCTION AND ACCEPTANCE

8.1 Landlord at its sole cost and expense shall construct the "BASE BUILDING" improvements as specified in Exhibit C attached hereto and incorporated by reference herein. Landlord shall also construct certain Tenant Improvements as specified in Exhibit C. Landlord shall provide a Tenant Improvement Allowance in the amount specified in Paragraph 1(h) to be applied to the cost of the Tenant Improvements constructed by Landlord. If the actual cost of such Tenant Improvements exceeds the Tenant Improvement Allowance, Tenant shall pay to Landlord the excess amount in equal monthly installments in advance during the period of Landlord's construction of such improvements, with the first installment payable prior to and as a condition of Landlord's obligation to commence construction of the Tenant Improvements. If the cost is less than the Tenant Improvement Allowance, the balance of the Tenant Improvement Allowance shall be applied to the cost of any Special Tenant Improvements described in Exhibit C, or if none are specified, to the cost of Tenant Improvements under any then existing lease between Landlord and Tenant for other premises in the Center. Landlord agrees to notify Tenant at least thirty (30) days prior to the date Landlord anticipates substantial completion of its construction obligations as set forth in Exhibit C. The "DELIVERY DATE" for the Premises shall be the date upon which (i) Landlord has substantially completed in accordance with Exhibit C the Base Building and the Tenant Improvements to be constructed by Landlord, as evidenced by a written certificate of substantial completion issued by Landlord's architect; (ii) the parking areas on Parcel 2 shall have been substantially completed and all interior roadways designated on the Site Plan which provide ingress and egress to the Premises and to such parking areas shall be paved and accessible from the public roads; and (iii) a certificate of occupancy or temporary certificate of occupancy, as applicable, or reasonably substantially equivalent shall have been issued by the applicable governmental authority if required to permit the Premises to be legally occupied; provided that if such certificate cannot be issued until Tenant has completed any items of Tenant's Work, this requirement shall not be a condition to Landlord's delivery of the Premises. As used herein, "SUBSTANTIAL COMPLETION" shall mean Landlord's Work (as defined in Exhibit C) has been completed, except for minor punch list items which do not interfere with Tenant's ability to complete its improvements. The condition of the Premises in compliance with the requirements set forth in items (i) through (iii) above may sometimes be referred to herein as the "DELIVERY CONDITION."

8.2 Following delivery of the Premises to Tenant in the Delivery Condition, Tenant shall diligently proceed to complete Tenant's Work, including any Special Tenant Improvements and such other work as it may deem necessary for the conduct of its business in the Premises. Prior to commencing Tenant's Work, Tenant shall submit to Landlord for approval plans and specifications prepared by an architect selected by Tenant, which plans shall be subject to Landlord's prior reasonable approval. Once Tenant's plans are approved by Landlord, Tenant's contractors (which shall also be subject to prior reasonable approval by Landlord) shall obtain all necessary permits for the work set forth in the Approved Tenant Plans (the "TENANT'S WORK") and proceed to complete Tenant's Work in compliance with all applicable governmental requirements.

8.3 Within thirty (30) days following Delivery Date, Landlord and Tenant shall mutually prepare a punch list of items to be corrected in the Base Building and other Landlord's Work, including any defects or non-conformance in Landlord' s construction. Landlord and Tenant shall mutually cooperate to prepare such punch list within thirty (30) days following the Delivery Date, and Landlord shall cause its contractors to promptly complete all punch list items. Landlord's Work shall also be under warranty by Landlord's contractors for a period of one (1) year. Landlord hereby assigns to Tenant all warranties and guaranties received by Landlord from its contractors with respect to the Tenant Improvements and Special Tenant Improvements (if any). If Landlord's contractors shall fail to complete any punch list items within the 90-day period following completion of the punchlist, and such failure continues after notice from Tenant and the cure period provided in Article 24, Tenant may at its option (but shall not be obligated to) complete the required work at Landlord's cost. Landlord shall pay to Tenant within thirty (30) days the amount shown on any statement describing the necessary work completed by Tenant accompanied by the invoices for such work.

8.4 Landlord will cause its contractors to complete Landlord's Work with all commercially reasonable diligence and to deliver the Premises within one hundred twenty (120) days after the date that Tenant notifies

Landlord that Tenant has obtained all permits required for construction of the Tenant Improvement Work (the "PERMIT DATE"). If the Delivery Date has not occurred within one hundred eighty days (180) days after the Permit Date, Tenant shall be entitled to a rent credit of one day's Base Rent for each day of Landlord's delay for the first thirty (30) days of delay and a credit of two days' Base Rent for the next thirty (30) days of Landlord's delay. Further, if the Delivery Date has not occurred within two hundred forty (240) days after the Permit Date, Tenant shall have the right as its sole remedy to terminate this Lease without penalty by delivering written notice to Landlord within thirty (30) days thereafter and prior to the date the Delivery Date has occurred. In the event of such termination, Landlord shall return to Tenant all amounts paid to Landlord for the Over-Allowance Amount (as defined in Exhibit C), Tenant's project management fees and the cost of any Tenant Improvements and Special Tenant Improvements (if any) constructed by Tenant in the Premises. All time periods referenced above with respect to delivering the Premises to Tenant shall be extended by the number of days of any delay due to Tenant's Delay (as defined in Exhibit C) and/or Force Majeure (as defined in Section 32.8 hereafter).

8.5 After the Premises has been constructed, Landlord's architect shall measure the gross leasable area of Building 2 and shall certify to Landlord such measurement in writing. The GLA so certified will be deemed to be the GLA of the Premises for all purposes of this Lease. To compute the Premises GLA, Building 2 shall be measured to the drip line. The initial monthly Base Rent, estimated tax and operating expense payments, the Letter of Credit amounts set forth in Article 1 and the Tenant Improvement Allowance were based on an estimated GLA of 36,059 square feet. In the event that the Premises GLA as determined pursuant this Section 8.4 is different from the estimated GLA (which difference shall be certified by Landlord's architect and approved by Tenant), the Base Rent, estimated payments, Letter of Credit and Tenant Improvement Allowance amounts set forth in Article 1 shall be adjusted accordingly.

8.6 In the event that Landlord, at its sole option, permits Tenant to take possession of the Premises prior to the Delivery Date for the purpose of constructing its Tenant Improvements, such possession shall be on all the terms and conditions of this Lease except for payment of Rent, specifically including the insurance and indemnity provisions in Articles 14 and 16. In the event that Landlord notifies Tenant that Tenant's early possession is causing a delay in Landlord's Work, Tenant shall promptly cease its construction activities and cause its contractor to remove its personnel, subcontractors and equipment from Premises until the Delivery Date or earlier date acceptable to Landlord.

ARTICLE 9. REPAIRS AND MAINTENANCE

9.1 Landlord, at its sole cost and expense, shall be responsible for the repair, maintenance and, if necessary, replacement of the structural elements, the roof structure, foundation and the structural integrity of floor slabs of Building 2, provided that Tenant shall pay for the cost of any such repairs to the extent occasioned by the negligent act, omission or willful misconduct of Tenant, its agents, employees, invitees, licensees or contractors, or by the construction of Tenant Improvements by Tenant, but only to the extent such cost is in excess of any proceeds received by Landlord from the insurance for Building 2 maintained by Landlord pursuant to Section 14.2.

9.2 Subject to reimbursement by Tenant as provided in Article 10 hereof, Landlord shall keep and maintain in good repair (including replacement as necessary), the roof covering and the exterior surfaces of the exterior walls and window frames of Building 2 (exclusive of doors, door frames, door checks and other entrances and windows), all Outdoor Areas (defined in Section 10.1) on Parcel 2, all Shared Areas (as defined in the Declaration) for the use of Parcel 2 and all systems (including sewer, gas, electrical and water lines) serving the Premises to the point of connection to Building 2. Tenant shall give Landlord prompt written notice of any damage to the Premises requiring repair by Landlord.

9.3 Except to the extent of Landlord's obligations provided in Sections 9.1 and 9.2 hereof, Tenant shall, at its expense, keep and maintain the Premises and every part thereof in good order, condition and repair, including, without limiting the generality of the foregoing, all equipment or facilities specifically serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, fire hose connections if within the Premises, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights. Notwithstanding the foregoing, Tenant shall not be required to make any such repairs to the extent occasioned by the negligent act or omission or willful

misconduct of Landlord, its agents, employees, or contractors. Tenant shall keep its sewers and drains open and clear to the perimeter of the Premises, and shall keep the hallways and/or sidewalks and common areas adjacent to the Premises clean and free of debris created by Tenant. Tenant shall reimburse Landlord on demand for the cost of damage to the Premises, Building 2 or Landlord's Parcels caused by Tenant or its employees, agents, customers, suppliers, shippers, contractors, or invitees which is in excess of any proceeds received by Landlord from the insurance for Building 2 maintained by Landlord pursuant to Section 14.2. If Tenant shall fail to comply with the foregoing requirements within ten (10) days after notice from Landlord, Landlord may (but shall not be obligated to) effect such maintenance and repair, and the cost thereof together with interest thereon at the Interest Rate (defined below) shall be due and payable as Additional Rent to Landlord within thirty (30) days following receipt of Landlord's written statement of such costs.

See Addendum A-9.3.

9.4 Tenant in keeping the Premises in good order, condition, and repair shall exercise and perform good maintenance practices including obtaining, at its expense, a contract for the repair and maintenance of the air conditioning and heating system, if any, exclusively serving the Premises and provide Landlord with a copy of said contract within thirty (30) days after Tenant takes possession of the Premises. The contract shall be for the benefit of Landlord and Tenant and in a form and placed with a licensed contractor satisfactory to Landlord. Tenant obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair, except to the extent of Landlord's obligations expressly set forth in this Lease.

9.5 Tenant shall not make any exterior or structural alterations, changes or improvements in or to Building 2 or material modifications to any of the Base Building operating systems without first obtaining Landlord's prior written consent (which may be withheld by Landlord in its sole discretion as to exterior alterations, and which shall not be unreasonably withheld or delayed with respect to structural or Base Building system modifications), and all of the same shall be at Tenant's sole cost. Landlord's consent shall not be required for any interior cosmetic alterations or alterations not affecting Base Building exterior, structure or systems as referenced above, or for any alterations, changes, replacements or improvements to any interior nonstructural Special Tenant Improvements or any other elements of Tenant's Work; provided that Tenant shall obtain required permits and comply with all other Legal Requirements and all requirements of Article 8 and Exhibit C regarding construction by Tenant and shall notify Landlord not less than ten (10) days prior to commencing any such alterations to give Landlord an opportunity to post a notice of non-responsibility. Landlord may impose as a condition of its consent (when required) such requirements as Landlord, in its reasonable discretion, may deem necessary, including but not limited to, the requirement that Tenant utilize for such purposes only contractors, materials, mechanics and materialmen approved by Landlord, and that good and sufficient plans and specifications be submitted to Landlord at such times as its consent is requested. Further, Landlord's consent to any alteration which Tenant proposes to make after the Commencement Date shall designate by written notice to Tenant any of the alterations, additions and improvements (collectively, "ALTERATIONS") which Landlord will require Tenant to remove at the expiration or termination of the Lease and those Alterations (if any) which Tenant is not permitted to remove. If Landlord so designates, Tenant shall prior to the expiration of the Term promptly remove the Alterations designated to be removed and repair all damage caused by such removal at its cost and with all due diligence, and shall surrender the Premises with all Alterations which Tenant is required to leave. Unless Landlord designates as a condition to granting its consent to any Alterations that removal by Tenant is required or prohibited, Tenant shall have the right, but not the obligation to remove from the Premises the Alterations for which consent was obtained so long as Tenant promptly repairs any damage resulting from such removal. Except as otherwise expressly provided herein, all Alterations made by Tenant (specifically excluding Tenant's furniture, trade fixtures and equipment) shall become the property of Landlord and a part of the realty and shall be surrendered to Landlord upon the expiration or sooner termination of the Term hereof.

See Addendum A-9.5.

ARTICLE 10. OPERATING AND MAINTENANCE COSTS

10.1 All Common Areas in the Center shall be operated and maintained by the Association pursuant to the Declaration. The term "COMMON AREAS" as used in this Lease shall include all areas in the Center defined as Common Areas in the Declaration. Landlord agrees to operate and maintain or cause to operated and maintained

during the term of this Lease all "Outdoor Areas" on Parcel 2. The term "OUTDOOR AREAS" as used in this Lease shall include all areas on each of Landlord's Parcels which are not Common Areas, or areas covered by buildings ("BUILDING AREAS") and are provided by Landlord for the convenience and exclusive use of tenants of each of Landlord's Parcels, their respective employees, customers, suppliers, shippers, contractors, and invitees.

10.2 The manner and method of operation, maintenance, service and repair of the Common Areas and the expenditures therefore, shall be determined in accordance with the provisions of the Declaration. The manner and method of operation, maintenance, service and repair of the Outdoor Areas shall be determined by Landlord and at minimum shall be comparable to similar projects in the general vicinity of the Center and shall be in accordance with all Legal Requirements. Except as otherwise expressly provided herein, Landlord reserves the right from time to time to make changes in, additions to and deletions from the Outdoor Areas and/or Common Areas including without limitation changes in the location, size, shape and number of driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways and the purposes to which they are devoted. Notwithstanding the foregoing, in no event shall Landlord make or permit any modifications to Landlord's Parcels which materially and adversely affect Tenant's access to or from Parcel 2 as shown on Exhibit A or which would reduce the number of exclusive parking spaces on Parcel 2 available to Tenant, its agents, employees or contractors.

10.3 Tenant agrees to comply with such reasonable rules and regulations as the Association may adopt from time to time for the orderly and proper operation of the Common Areas. Tenant further agrees to comply with and observe all reasonable rules and regulations established by Landlord from time to time for use of the Outdoor Areas on Parcel 2, including, without limitation, the removal, storage and disposal of refuse and rubbish. The initial Rules and Regulations for the Center are attached hereto as Exhibit E. All rules and regulations adopted or amended after the date of this Lease shall be reasonable and non-discriminatory and shall be subject to the restrictions set forth in Section A-4.9 of the Addendum.

10.4 During the Term of this Lease, Tenant shall pay to Landlord, as Additional Rent, at the time and in the manner specified in Section 10.6 below, Tenant's pro rata share of all costs and expenses of every kind and nature paid or incurred by Association and/ or Landlord in operating, policing, protecting, lighting, providing sanitation and sewer and other services to, insuring, repairing, replacing and maintaining in neat, clean, good order and condition, the Common Areas of the Center and all Outdoor Areas on Landlord's Parcels and in operating, insuring and maintaining the Buildings on Landlord's Parcels ("OPERATING AND MAINTENANCE COSTS").

Subject to the exclusions set forth below, operating and maintenance costs shall include, but shall not be limited to, the following: water, gas and electricity to the Common Areas and Outdoor Areas, and security and guard services; salaries and wages (including employment taxes and so called "fringe benefits") or maintenance contracts of all persons and management personnel to the extent engaged in the regular operation, servicing, repair and maintenance, (specifically including the site coordinator and site superintendent, clerical, and on-site and off-site accounting staff), repair and replacement of roofs of Buildings on Landlord's Parcels, painting and cleaning the exterior surfaces of such Buildings, premiums for liability, property damage and Workers' Compensation insurance (which insurance Landlord, at all times during the Lease term, agrees to maintain with respect to Landlord's Parcels); all costs associated with obtaining such insurance or making any claims under such insurance policies, including the cost of any deductible portion payable with respect to claims (subject to subparagraphs (x) and (xxv)); personal property taxes, if any; charges, excises, surcharges, fees or assessments levied by a governmental agency by virtue of the parking facilities furnished; costs and expenses of planting, replanting and relandscaping; trash disposal, if any; lighting, including exterior building lights; utilities; maintenance and repair of utility lines, sewers and fire detection and suppression systems (including the water used in connection with such systems); sweeping, repairing and resurfacing the blacktop surfaces; repainting and restriping; exterior signs and any tenant directories for the Center as a whole, reserves set aside for maintenance and repair, the cost of any environmental inspections; fees for any licenses and/or permits required for operation of the Common Areas and Outdoor Areas, or any part thereof; equipment rental or purchases, supplies, postage, telephone, service agreements, deliveries, promotion, dues and subscriptions, and reasonable legal fees.

The following costs shall be excluded from the operating and maintenance costs payable by Tenant:

(i) the costs of the initial construction of the Center, including the Buildings, roads, parking lots, utility lines and similar improvements shown on Exhibit A;

(ii) debt service (including, without limitation, principal, interest, late fees, prepayment fees, principal, points, impound payments and all other charges) with respect to any financing relating to Landlord's acquisition or initial construction of the Center or any portion thereof or any refinancing of such costs;

(iii) any fees or other amounts payable with respect to any ground lease now or hereafter affecting any portion of the Center;

(iv) any costs, fines or penalties incurred as a result of any violation of laws, rules or regulations by Landlord, its agents, employees or contractors;

(v) the cost of any items for which Landlord is reimbursed (or if Landlord fails to carry the insurance required by Section 14.2, would have been so reimbursed) by insurance proceeds, condemnation awards, other tenants of the Center, or for which Landlord is otherwise actually reimbursed;

(vi) any real estate brokerage commissions or other costs (including, without limitation, finder's fees, legal fees, space planning fees and review and supervision fees) incurred in connection with the sale, leasing or subleasing of any portion of the Center, including the renewal, extension or modification of leases;

(vii) any costs representing amounts paid to an entity or person which is an affiliate of Landlord which is in excess of the amount which would have been paid in the absence of the relationship, including, without limitation, any overhead or profit increment paid to subsidiaries or affiliates of Landlord for goods and/or services to any portion of the Center to the extent in excess of the amount which would be paid to unaffiliated third parties on a competitive basis;

(viii) capital improvements and expenditures shall be amortized over the useful life of the capital item in accordance with GAAP;

(ix) non-cash items, such as deductions for depreciation or obsolescence of any improvements or equipment within or used in connection with the Center, and reserves for future expenditures (except reserves maintained by the Association pursuant to the Declaration);

(x) costs incurred by Landlord for the repair of damage to the Center caused by fire, windstorm, earthquake or other casualty, condemnation or eminent domain; provided that an amount equal to the deductible under Landlord's insurance policy may be included, up to a maximum of $5,000 for property damage and $25,000 for liability insurance (collectively the "EXISTING DEDUCTIBLES"), unless otherwise approved by Tenant, and specifically excluding any earthquake insurance deductible;

(xi) Landlord's general corporate overhead and general administrative expenses (including memberships, travel, recruitment and marketing);

(xii) any compensation or benefits paid to clerks or attendants for parking operations of the Center, including validated parking for any entity unless the revenues, if any, from such operations are used to reduce the operating and maintenance costs;

(xiii) electric power, water or other utility costs for which any tenant or occupant of the Center directly contracts with the local public service company or for which any tenant is separately metered or submetered and pays Landlord directly;

(xiv) penalties, late charges and interest incurred as a result of Landlord's failure or negligence to make

payments and/or to file any returns (including tax or other informational returns) when due, unless due to Tenant's failure to timely pay the Rent hereunder;

(xv) Landlord's charitable or political contributions, membership dues to organizations or expenses related to attendance at or travel to meetings of political, charitable or business organizations;

(xvi) costs associated with the operation of the business of the corporation, partnership or other entity which constitutes Landlord as the same are distinguished from the costs of operation of the Center, including partnership accounting and legal matters, and costs of selling or mortgaging any of Landlord's interest in the Center;

(xvii) any expenses for repairs or maintenance to the extent reimbursed through warranties, service contracts or recoveries from vendors;

(xviii) any costs incurred in connection with the defense of Landlord's title to the Center or any portion thereof;

(xix) fines and penalties incurred by Landlord due to the violation by Landlord or any tenant of the Center of the terms and conditions of any lease at the Center, or fines or penalties incurred by Landlord due to the violation by Landlord or any tenant of the Center of any law, code, regulation or ordinance;

(xx) marketing, advertising and promotional expenditures ;

(xxi) any bad debt or expense, rent loss or reserves for bad debt or rent loss;

(xxii) any amounts constituting "Taxes" as defined in and to the extent payable pursuant to Article 7 of this Lease;

(xxiii) the costs of any building repairs, maintenance, replacement or casualty insurance for any buildings other than Building 2;

(xxiv) any costs which would duplicate a cost included in the Association charges payable by Tenant with respect to Parcel 2; and

(xxv) any premiums for any policy of earthquake insurance with respect to the Center or any portion thereof or any deductible amount under such policies.

10.5 Tenant shall pay its pro-rata share of the operating and maintenance costs described in Section 10.4 above. Tenant's pro-rata share of operating and maintenance costs for the Common Areas of the Center shall be the share of such costs allocated by the Association to Parcel 2 pursuant to the Declaration. Tenant's pro rate share of all other operating and maintenance costs shall be as follows: (i) costs related to repairs, maintenance, replacement and casualty insurance for Building 2 shall be allocated entirely to Tenant; (ii) if Landlord desires to increase the Existing Deductibles described in Section 10.4 (x) above and Tenant does not approve the increase, Landlord may obtain separate policies of property damage and liability insurance for the Outdoor and Common Areas on Parcel 2 to maintain the Existing Deductibles and the premiums for such insurance shall be allocated entirely to Tenant; (iii) costs related to any Shared Areas allocable to Parcel 2 pursuant to the Declaration shall be paid by Tenant in the proportion provided in the Declaration; (iv) costs related to all other Outdoor Areas on Landlord's Parcels shall be the ratio determined by dividing the square footage of Parcel 2 by the total square footage of all of Landlord's Parcels; and (v) notwithstanding the foregoing, operating costs which benefit only one or a portion of all of Landlord's Parcels shall be equitably allocated by Landlord only among the Parcels benefited either by GLA or Parcel square footage, as applicable in Landlord's reasonable business judgment. Landlord's estimate of Tenant's initial pro rata share based on current calculations as outlined above is that amount set forth in Paragraph 1(d) above.

10.6 As Additional Rent, Tenant shall pay Landlord monthly on the first day of each month, following the Commencement Date and continuing on the first day of each month thereafter during the Term hereof, an operating and maintenance charge in an amount estimated by Landlord to be Tenant's share of the "operating and maintenance costs".

The initial monthly operating and maintenance charge shall be the amount estimated by Landlord as set forth in Paragraph 1(d). Landlord may adjust said monthly charge at the end of each calendar year thereafter on the basis of Landlord's reasonably anticipated costs for the following calendar year.

10.7 Within one hundred twenty (120) days after the end of each calendar year, Landlord shall furnish to Tenant a statement showing the total operating and maintenance costs, Tenant's share of such costs, and the total of the monthly payments made by Tenant to Landlord during the calendar year just ended. Landlord shall keep good and accurate books and records concerning the operation, maintenance and management of the Landlord's Parcels, and Tenant and its agents shall have the right, upon twenty (20) days' written notice given within nine (9) months after receipt of the statement for a calendar year, and at Tenant's sole cost and expense to audit, inspect and copy such books and records with respect to such calendar year at the office where the same are located. If such audit discloses that the annual statement has overstated the actual operating and maintenance expenses for the calendar year under review, Landlord shall rebate to Tenant the amount by which Tenant has been overcharged or, at Tenant's election, Tenant may offset such amount against operating and maintenance charges becoming due; and if the audit discloses that Landlord's annual statement has overstated such charges by more than five percent (5%), then, in addition to rebating to Tenant any overcharge, Landlord shall also pay the reasonable costs incurred by Tenant for such audit. If Landlord disputes the results of Tenant's audit, the parties shall submit the dispute for resolution by arbitration in accordance with the procedures set forth in Section 10.4 of the Declaration, which shall be deemed to be incorporated herein by this reference. The decision of the arbitrator shall be binding and conclusive on the parties.

10.8 If Tenant's share of the operating and maintenance costs for the accounting period exceeds the payments made by Tenant, Tenant shall pay Landlord the deficiency within ten (10) days after the receipt of Landlord's statement. If Tenant's payments made during the accounting period exceed Tenant's pro-rata share of the operating and maintenance costs, Tenant may deduct the amount of the excess from the estimated payments next due to Landlord. If a credit remains at the end of the Lease Term, such credit shall be refunded by Landlord to Tenant within twenty (20) business days thereafter. The obligations of Landlord and Tenant under this Section 10.8 shall survive the termination of this Lease.

ARTICLE 11. TRADE FIXTURES AND SURRENDER

11.1 Upon the expiration or sooner termination of the Term hereof, Tenant shall surrender the Premises including, without limitation, all apparatus and fixtures then upon the Premises, in good condition and repair, reasonable wear and tear excepted, broom clean and free of trash and rubbish, subject, however to the following:

a. Tenant shall remove all Alterations which Landlord has designated to be removed pursuant to Section 9.5 above and shall leave all Alterations which Landlord has designated pursuant to that Section must remain;

b. If no consent was required or obtained, Tenant shall either remove or leave all Alterations which Landlord prior to the end of the Term designates in writing to Tenant must be removed or left in place;

c. Tenant at its election may remove or leave all Alterations with respect to which Landlord has not made a designation as described in (a) or (b) above.

d. Tenant shall remove all of Tenant's Personal Property (as defined in Section 11.3 below).

e. Tenant shall repair all damage caused by removal of its Personal Property and any Alterations Tenant is permitted to remove.

Notwithstanding anything to the contrary herein, Tenant Improvements and any Special Tenant Improvements shall be the property of Landlord throughout the Term to the extent of the amount of the Tenant Improvement Allowance, and such improvements may not be removed by Tenant without Landlord's prior written consent. To the extent the costs of Tenant Improvements and/or Special Tenant Improvements exceed the Tenant Improvement Allowance, such improvements shall be owned by Tenant throughout the Term. At the end of the Term, all Tenant Improvements and Special Tenant Improvements which Tenant is not required to remove in accordance with the terms hereof shall be surrendered by Tenant without any injury, damage or disturbance thereto, and Tenant shall not be entitled to any payment therefore.

11.2 Consistent with Section 4.7, Tenant shall notify Landlord in writing of the manner and means in which it will remove any and all Hazardous Substances used in the Premises during its occupancy. Tenant shall also certify in writing upon delivery of Premises to Landlord on the date of the Lease expiration that all Hazardous Substances were removed in accordance with all governmental and regulatory laws.

11.3 Moveable trade fixtures, furniture and other personal property (collectively, Tenant's "PERSONAL PROPERTY") installed in the Premises by Tenant at its cost shall be Tenant's property unless otherwise provided in Section 11.1 above and Tenant shall remove all of the same prior to the termination of this Lease and at its own cost repair any damage to the Premises and Parcel 2 caused by such removal. If Tenant fails to remove any of such property, Landlord may at its option retain such property as abandoned by Tenant and title thereto shall thereupon vest in Landlord, or Landlord may remove the same and dispose of it in any manner and Tenant shall, upon demand, pay Landlord the actual expense of such removal and disposition plus the cost of repair of any and all damage to said Premises and the building thereto resulting from or caused by such removal.

ARTICLE 12. DAMAGE OR DESTRUCTION

12.1 Except as otherwise provided in Section 12.2 below, if the Premises are damaged and destroyed by any casualty covered by fire and special extended coverage insurance policies which Landlord is required to provide pursuant to Article 14, Landlord shall repair such damage as soon as reasonably possible, to the extent of the available proceeds, and the Lease shall continue in full force and effect.

12.2 If the Premises are damaged or destroyed by any casualty covered by Landlord's fire and special extended coverage insurance policies which Landlord is required to provide pursuant to Article 14, to the extent of seventy-five percent (75%) or more of the replacement cost thereof, or to the extent of twenty-five percent (25%) or more of the replacement cost of the Premises if the damage occurs during the last twelve (12) months of the Term, or if the insurance proceeds which are received by Landlord, under the policies Landlord is required to provide, are not sufficient to repair the damage (specifically including any insufficiency due to payment of such proceeds to Landlord's lender, if required), then Landlord may, at Landlord's option, either (i) repair such damage as soon as reasonably possible, in which event this Lease shall continue in full force and effect, or (ii) cancel and terminate this Lease as of the date of the occurrence of such damage. Landlord shall deliver to Tenant written notice of Landlord's election within sixty (60) days after the date of the occurrence of the damage, which notice shall also specify the expected time to restore the Premises if Landlord elects to repair the damages.

See Addendum A-12.2.

12.3 If at any time during the Term the Premises are damaged and such damage was caused by a casualty not covered under the insurance policy Landlord is required to carry pursuant to Section 14.2, Landlord may, at its option, either (i) repair such damage as soon as reasonably possible at Landlord's expense, in which event this Lease shall continue in full force and effect, or (ii) cancel and terminate this Lease as of the date of the occurrence of such damage, by giving Tenant written notice of Landlord's election to do so within thirty (30) days after the date of occurrence of such damage, in which event this Lease shall so terminate unless within thirty (30) days thereafter Tenant agrees to repair the damage at its cost and expense or pay for Landlord's repair of such damage.

12.4 Notwithstanding anything to the contrary herein, if it is determined that the damage or destruction resulting from a casualty cannot be repaired within twelve (12) months following the date of casualty, Tenant may

terminate this Lease by written notice delivered to Landlord within thirty (30) days following Tenant's receipt of Landlord's written notice given under Section 12.2 or 12.3 above.

12.5 In the event of any damage or destruction the Base Rent and all Additional Rent payable by Tenant hereunder shall be proportionately reduced from the date of casualty until the completion by Landlord of any repair or restoration pursuant to this Article 12 (provided that the abatement period shall not exceed twelve (12) months). Said reduction shall be based upon the extent to which the damage or the making of such repairs or restoration shall interfere with Tenant's business conducted in the Premises.

12.6 Landlord shall in no event be required or obligated to repair, restore or replace any of Tenant's Personal Property. Landlord shall restore the Tenant Improvements and Special Tenant Improvements (if any) to the extent of insurance proceeds received by Landlord. In the event of a termination of this Lease pursuant to this Article 12, Landlord shall pay to Tenant from the proceeds of the insurance payable to Landlord with respect to the Tenant Improvements and Special Tenant Improvements an amount equal to the unamortized cost of Tenant's ownership interest in the Tenant Improvements and the Special Tenant Improvements.

12.7 In the event of a dispute by the parties regarding the extent of damage, duration of repair or rights of termination under Article 12 or 13 only of the Lease, either party can request arbitration within ninety (90) days after the date of the damage has occurred. In such event the dispute shall be resolved by arbitration in accordance with the procedures set forth in Section 10.4 of the Declaration. The decision of the arbitrator shall be binding and conclusive on the parties.

ARTICLE 13. EMINENT DOMAIN

13.1 If all or substantially all of the Premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain (or similar law authorizing the involuntary taking of private property, which shall include a sale in lieu thereof to a public body), either party hereto shall have the right, at its option, to terminate this Lease effective as of the date possession is taken by said authority, and Landlord shall be entitled to any and all income, rent, award and any interest thereon whatsoever which may be paid or made in connection with such public or quasi-public use or purpose. Tenant shall have no claim against Landlord for any portion of Landlord's award and shall not make a claim for the value of any unexpired term of this Lease.

13.2 If only a portion of the Premises is taken such that the Premises are still accessible and usable for the operation of Tenant's business, then this Lease shall continue in full force and effect and the proceeds of the award shall be used by Landlord to restore the remainder of the improvements on the Premises so far as practicable to a complete unit of like quality and condition to that which existed immediately prior to the taking, and all Rent payable by Tenant hereunder shall be reduced in proportion to the floor area of the Premises which is no longer available for Tenant's use. Landlord's restoration work shall not exceed the scope of work done by Landlord in originally constructing the Premises and the cost of such work shall not exceed the amount of the award received by Landlord with respect to the Premises.

13.3 Nothing hereinbefore contained shall be deemed to deny to Tenant its right to seek a separate award from the condemning authority for the unamortized costs of Tenant's ownership interest in the Tenant Improvements and Special Tenant Improvements, damage to its trade fixtures and personal property, relocation expenses or loss of goodwill.

ARTICLE 14. INSURANCE

14.1 Tenant shall, at all times during the Term hereof, at its expense, carry and maintain insurance policies in the amounts and in the form hereafter provided:

(a) COMMERCIAL LIABILITY AND PROPERTY DAMAGE: Commercial general liability insurance in an amount not less than One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) in the general aggregate of bodily injury and property damage insuring against liability of the insured with respect to the Premises or arising from the maintenance, use or occupancy thereof. All such insurance shall include contractual

liability insurance for the bodily injury, personal injury and property damage liability assumed by Tenant in Article 16 hereof. Said insurance shall provide that Landlord is named as an additional insured and will have a "separation of insureds" clause. Landlord's recovery under Tenant's insurance as an additional insured shall apply to loss or damages resulting from Tenant's negligence and shall not be restricted due to any contributory negligence on the part of Landlord. However, Tenant's insurance shall not be responsible for loss or damage that is determined to be due to the sole negligence of Landlord. The insurance by this policy shall be primary insurance. The liability insurance required to be provided by Tenant shall be applicable to claims incurred by reason of events with respect to the Premises or arising from the maintenance, use or occupancy thereof during the term of this Lease, regardless of when such claims shall be first made against Tenant and/or Landlord. Should any required liability insurance be written on a claims-made basis, Tenant shall continue to provide evidence of such coverage beyond the term of this Lease, for a period mutually agreed upon by Landlord and Tenant at the time of termination, but in no event for a period of less than five years. Not more frequently than once each year, if in the opinion of Landlord's lender or of the insurance consultant retained by Landlord, the amount of liability insurance coverage at that time is not adequate, Tenant shall increase the insurance coverage as either required by Landlord's lender or recommended by Landlord's insurance consultant.

(b) TENANT PERSONAL PROPERTY: Insurance covering all of Tenant's trade fixtures, merchandise and other personal property from time to time in the Premises in an amount equal to their full replacement cost from time to time, providing protection against the "risks of physical damage" as provided in the ISO Causes of Loss -- Special Form (CP 10 30), or equivalent insurance company form. The proceeds of such insurance shall, so long as this Lease remains in effect, be used to repair or replace the property damaged or destroyed, as determined by Tenant.

(c) WORKER'S COMPENSATION: Worker's Compensation insurance as required by the State of California.

(d) POLICY FORM: All insurance to be carried by Tenant hereunder shall be in companies, on forms and with loss payable clauses satisfactory to Landlord. The commercial liability and property damage insurance carried by Tenant pursuant to Section 14.1(a) above shall name Landlord, its managers, their officers, directors, partners, employees and agents as additional insureds. Each policy shall include a notice of cancellation to additional insured on the Additional Insured endorsement providing that no such policy shall be canceled except upon thirty (30) days advance notice to all additional insureds by the issuing company in the event of cancellation. Tenant shall have the right to maintain required insurance under blanket policies provided that Landlord and such parties as Landlord may reasonably designate from time are named therein as additional insureds (as to Tenant's liability policies)and that the coverage afforded Landlord will not be reduced or diminished by reason thereof, including self funded insurance reserves.

(e) EVIDENCE OF INSURANCE: Concurrent with delivery of possession of the Premises to Tenant, Tenant shall provide Landlord with the following evidence of insurance:

(i) Certificate evidencing that each of the insurance policies required in subparagraphs (a), (b) and (c) above are in full force and effect, and

(ii) A copy of the applicable provision or endorsement from each of Tenant's policies specifying that Landlord and the parties designated by Landlord are additional insureds, that the insurer recognizes the waiver of subrogation set forth in Article 15 hereof, and that the insurer agrees not to cancel the policy without the notice to Landlord specified in subparagraph (d) above.

14.2 Subject to reimbursement by Tenant as provided in Article 10 herein, Landlord shall obtain and keep in force during the term hereof, a policy or policies of insurance covering loss or damage to Building 2 and improvements on Landlord's Parcels. Landlord's insurance shall cover the "risks of physical damage" as provided in the ISO Causes of Loss -- Special Form (CP 10 30), or equivalent insurance company form, together with an endorsement providing for rental income insurance covering all Rent payable by Tenant hereunder for a period of twelve (12) months.

14.3 Landlord's policy described in Section 14.2 shall also insure all Tenant Improvements and Special Tenant Improvements for one hundred percent of the replacement cost thereof, with an agreed amount endorsement in lieu of coinsurance. Tenant shall pay to Landlord the cost of the insurance covering the Tenant Improvements and Special Tenant Improvements as provided in Article 10 herein. Tenant acknowledges that Landlord's insurance on the Tenant and Special Tenant Improvements will not include earthquake insurance. Upon Tenant's request, Landlord shall obtain such coverage at Tenant's sole cost and expense.

14.4 If Tenant shall fail to procure and maintain any insurance policy required herein, Landlord may (but shall not be obligated to), after reasonable written notice to Tenant procure the same on Tenant's behalf, and the cost of same shall be payable as Additional Rent within ten (10) business days after written demand therefore by Landlord. Tenant's failure to pay such Additional Rent shall constitute an Event of Default of this Lease, and Landlord may, without any further notice, exercise its remedies specified in Article 25 hereof.

ARTICLE 15. WAIVER OF SUBROGATION

Any fire and special extended coverage insurance and any other property damage insurance carried by either party with respect to Landlord's Parcels, the Common Areas, the Premises and property contained in the Premises or occurrences related to them shall include a clause or endorsement denying to the insurer rights of subrogation against the other party to the extent rights have been waived by the insured prior to occurrence of damage or loss. Each party, notwithstanding any provisions of this Lease to the contrary, waives any right of recovery against the other for injury or loss due to hazards covered by insurance containing such clause or endorsement to the extent that the damage or loss is covered by such insurance.

ARTICLE 16. RELEASE AND INDEMNITY

16.1 Tenant shall indemnify, defend and hold harmless Landlord against and from any and all claims, actions, damages, liability and expenses, including reasonable attorneys' fees, arising from or out of Tenant's use of the Premises or from the conduct of its business or from any activity, work, or other things done, permitted or suffered by the Tenant in or about the Premises or Tenant's reserved parking spaces. Tenant shall further indemnify, defend and hold Landlord harmless from any and all claims arising from any negligent act or omission or willful misconduct of Tenant, or any officer, agent, employee, contractor, guest, or invitee of Tenant, and from all costs, damages, attorneys' fees, and liabilities incurred in defense of any such claim of any action or proceeding brought thereon, including any action or proceeding brought against Landlord by reason of such claim. Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to property or injury to persons in the Premises, from any cause except to the extent arising out of or resulting from Landlord's (or its agents', employees' or contractors') negligent act or omission or willful misconduct. Tenant shall give prompt notice to Landlord in case of casualty or accidents in the Premises.

16.2 Landlord shall indemnify, defend and hold harmless Tenant against and from any and all claims, actions, damages, liability and expenses, including reasonable attorneys' fees, arising from or out of any activity, work, or other things done by Landlord, its agents, employees or contractors in or about the Outdoor Areas and Common Areas on Landlord's Parcels. Landlord shall further indemnify, defend and hold Tenant harmless from any and all claims arising from the negligent act or omission or willful misconduct of Landlord, or any officer, agent, employee, or contractor of Landlord while on any of Landlord's Parcels or Buildings, and from all costs, damages, attorneys' fees, and liabilities incurred in defense of any such claim of any action or proceeding brought thereon, including any action or proceeding brought against Tenant by reason of such claim.

16.3 Except to the extent arising out of or resulting from Landlord's negligent act or omission or willful misconduct, Landlord shall not be liable for injury or damage which may be sustained by the person, goods, wares, merchandise or property of Tenant, its employees, invitees or customers, or by any other person in or about the Premises caused by or resulting from fire, building vibrations or movement of floor slab, steam, electricity, gas, water or rain which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures of the same, whether said damage or injury results from conditions arising upon the Premises or from other sources. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant of the Building.

Notwithstanding the foregoing, nothing contained herein shall limit any representations, warranties or covenants of Landlord set forth in this Lease, or any warranties provided with respect to work performed by Landlord's contractors. Further, notwithstanding the foregoing, the terms of Article 12 shall govern with respect to any events of casualty.

ARTICLE 17. INSOLVENCY, ETC. OF TENANT

17.1 The filing of any petition in bankruptcy whether voluntary or involuntary, or the adjudication of Tenant as bankrupt or insolvent, or the appointment of a receiver or trustee to take possession of all or substantially all of Tenant's assets, or an assignment by Tenant for the benefit of its creditors, or any action taken or suffered by Tenant under any State or Federal insolvency or bankruptcy act including, without limitation, the filing of a petition for or in reorganization, or the taking or seizure under levy of execution or attachment of the Premises or any part thereof, shall constitute a breach of this Lease by Tenant, and in any one or more of said events this Lease shall be deemed terminated to the extent such result is permitted by relevant bankruptcy laws and statutes.

17.2 Landlord shall be entitled, notwithstanding any provision of this Lease to the contrary, upon re-entry of the Premises in case of a breach under this Article, to recover from Tenant as damages, and not as a penalty, such amounts as are specified in Article 25, unless any statute governing the proceeding in which such damages are to be proved shall lawfully limit the amount thereof capable of proof, in which later event Landlord shall be entitled to recover as and for its damages the maximum amount permitted under said statute.

ARTICLE 18. PERSONAL PROPERTY AND OTHER TAXES

18.1 Tenant shall pay, before delinquency, any and all taxes and assessments, sales, use, business, occupation or other taxes, and license fees or other charges whatever levied, assessed or imposed upon its business operations conducted in the Premises. Tenant shall also pay, before delinquency, any and all taxes and assessments levied, assessed or imposed upon its equipment, furniture, furnishings, trade fixtures, merchandise and other personal property in, on or upon the Premises.

18.2 Tenant shall pay all taxes and assessments levied, assessed or imposed on Tenant's trade fixtures and its leasehold improvements, regardless of whether such improvements were installed and/or paid for by Tenant or by Landlord, and regardless of whether or not the same are deemed to be a part of the Building.

18.3 Tenant shall pay (or reimburse Landlord therefor forthwith on demand) any excise tax, gross receipts tax, or any other tax however designated, and whether charged to Landlord, or to Tenant, or to either or both of them, which is imposed on or measured by or based on the rentals to be paid under this Lease, or any estate or interest of Tenant, or any occupancy, use or possession of the Premises by Tenant.

18.4 Nothing hereinabove contained in this Article shall be construed as requiring Tenant to pay any inheritance, estate, succession, transfer, gift, franchise, income or profits tax or taxes imposed upon Landlord.

ARTICLE 19. SIGNS

Tenant shall not place, construct or maintain on the windows, doors or exterior walls or roof of the Premises or any interior portions that may be visible from the exterior of the Premises, any signs, advertisements, names, trademarks or other similar item without Landlord's consent, which consent shall not be unreasonably withheld or delayed so long as the signage Tenant installs complies with all Legal Requirements and the master sign program for the Center. Upon written notice from Landlord specifying the violation in reasonable detail, Tenant shall, at Tenant's cost, remove any item so placed or maintained which does not comply with the provisions of this Section. Landlord agrees that Landlord shall not install or permit the installation of signs or billboards on the exterior walls and/or the roof of the Premises.

See Addendum 32.25.

ARTICLE 20. ASSIGNMENT AND SUBLETTING

20.1 Subject to the terms of Section 20.4, Tenant shall not voluntarily, involuntarily, or by operation of law assign, transfer, hypothecate, or otherwise encumber this Lease or Tenant's interest therein, and shall not sublet nor permit the use by others of the Premises or any part thereof without first obtaining in each instance Landlord's written consent. If consent is once given by Landlord to any such assignment, transfer, hypothecation or subletting, such consent shall not operate as a waiver of the necessity for obtaining Landlord's consent to any subsequent assignment, transfer, hypothecation or sublease, and no assignment shall release Tenant from any liability hereunder. Any such assignment or transfer without Landlord's consent shall be void and shall, at Landlord's option, constitute an Event of Default of this Lease. This Lease shall not, nor shall any interest therein, be assignable as to Tenant's interest by operation of law, without Landlord's express prior written consent.

20.2 The consent of Landlord required under Section 20.1 above shall not be unreasonably withheld or delayed. Should Landlord withhold its consent for any of the following reasons, the withholding shall be deemed to be reasonable:

(a) Conflict of the proposed use with other uses in the Building or Center;

(b) Financial inadequacy of the proposed subtenant or assignee;

(c) A proposed use which would diminish the reputation of the Center or the other businesses located therein;

(d) A proposed use which would have a detrimental impact on the common facilities or the other tenants in the Center.

20.3 Each assignee or transferee shall agree to assume and be deemed to have assumed this Lease and shall be and remain liable jointly and severally with Tenant for the payment of all rents due here under, and for the due performance during the term of all the covenants and conditions herein set forth by Tenant to be performed. No assignment or transfer shall be effective or binding on Landlord unless said assignee or transferee shall, concurrently, deliver to Landlord an assumption agreement by said assignee or transferee assuming all obligations of Tenant under this Lease.

20.4 Notwithstanding anything to the contrary herein, Landlord's consent shall not be required for any assignment, transfer or sublease to any entity which controls, is controlled by or under common control with Tenant, or to any entity resulting from a reorganization, merger or sale of substantially all of the assets of Tenant. The term "CONTROL" shall mean the ownership of at least 50% of the stock or assets of Tenant. Further, Landlord's consent shall not be required for any offering of the stock of Tenant on the public market or any open market transactions involving the stock of Tenant. If Tenant is not a publicly traded corporation, or if Tenant is an unincorporated association or a partnership, the transfer, assignment, or hypothecation or any stock or interest in such corporation, association or partnership in the aggregate of in excess of fifty percent (50%) shall be deemed an assignment within the meaning of this Article, except transfers in connection with Tenant becoming a publicly traded corporation. Tenant shall give Landlord prior written notice of all transfers, whether or not consent is required, and in no event shall Tenant be released from any of its obligations under this Lease.

20.5 If Tenant intends to assign this Lease and Landlord's consent to such assignment is required, Tenant shall give prior written notice to Landlord of each such proposed assignment or subletting specifying the proposed assignee or subtenant and the terms of such proposed assignment or sublease. Landlord shall, within fifteen (15) business days thereafter, notify Tenant in writing either, that (i) it consents (subject to any conditions of consent that may be imposed by Landlord) or does not consent to such transaction, or (ii) it elects to cancel this Lease in which event the parties would have no further obligations to each other except with respect to obligations which arose prior to the effective date of termination or which otherwise survive the termination of this Lease.

20.6 In the event of an assignment or subletting which requires Landlord's consent pursuant to this Article 20, Tenant shall assign to Landlord 75% of any and all consideration paid to Tenant directly or indirectly for

the assignment by Tenant of its leasehold interest, and 75% of any and all subrentals payable by sublessees to Tenant which are in excess of the Rent payable by Tenant hereunder. Tenant's brokerage fees shall be paid by Tenant and deducted from excess proceeds on a pro rata basis monthly over the term of the sublease.

20.7 Tenant agrees to reimburse Landlord for Landlord's reasonable costs and attorneys fees' incurred in connection with the processing and documentation of any requested assignment, transfer, hypothecation or subletting of this Lease aforesaid, whether or not such consent is granted, in an amount not to exceed $2500 in each instance.

ARTICLE 21. RIGHTS RESERVED BY LANDLORD

Subject to Tenant's reasonable security and trade secret requirements, upon reasonable prior notice, Landlord or its agents shall have the right to enter the Premises for the purposes of:

(a) Inspection of the Premises and the equipment therein, not to exceed once per calendar quarter (or not to exceed once per year for inspections of any clean room), except in the event of an emergency or unless a known problem exists or Landlord is responding to a third party complaint involving the Premises;

(b) Making repairs or improvements to the Premises and/or Building 2 which are the responsibility of Landlord under the terms of this Lease;

(c) Performing remodeling, construction or other work incidental to any portion of the Building 2, including, without limitation, the premises of another tenant adjacent to, above or below the Premises. Landlord agrees to coordinate the timing and staging of any major construction program with Tenant

(d) Showing the Premises to persons wishing to purchase or make a mortgage loan upon the same;

(e) Posting notice of non-responsibility;

(f) Posting "For Lease" signs and showing the Premises to persons wishing to rent the Premises during the last six (6) months of the term of this Lease.

ARTICLE 22. INTENTIONALLY DELETED

ARTICLE 23. RIGHT OF LANDLORD TO PERFORM

All covenants to be performed by Tenant hereunder shall be performed by Tenant at its sole cost and expense and without any abatement of any rent to be paid hereunder, subject to the terms and conditions set forth in this Lease. If Tenant shall fail to pay any sum, other than rent, required to be paid by it or shall fail to perform any other act on its part to be performed, and such failure shall continue beyond the applicable notice and grace period set forth in Article 25, Landlord may (but shall not be obligated to) and without waiving or releasing Tenant from any of its obligations, make any such payment or perform any such other act on Tenant's part to be made or performed as herein provided. All sums so paid by Landlord and all necessary incidental costs, together with interest at the Interest Rate from the date of such payment by Landlord shall be payable by Tenant as Additional Rent within thirty (30) days after Landlord's written demand therefor. Tenant's failure to pay such Additional Rent shall constitute an Event of Default of this Lease, and Landlord may, without any further notice, exercise its remedies specified in Article 25 hereof.

ARTICLE 24. LANDLORD DEFAULT

24.1 If Landlord shall be in default of any covenant of this Lease to be performed by it, Tenant, prior to exercising any right or remedy it may have against Landlord on account thereof, shall give Landlord a thirty (30) day written notice of such default, specifying the nature of such default. Notwithstanding anything to the contrary

elsewhere in this Lease, Tenant agrees that if the default specified in said notice is of such nature that it can be cured by Landlord, but cannot with reasonable diligence be cured within said thirty (30) day period, then such default shall be deemed cured if Landlord within said thirty (30) days period shall have commenced the curing thereof and shall continue thereafter with all due diligence to cause such curing to proceed to completion.

24.2 If Landlord shall fail to cure a default of any covenant of this Lease to be performed by it within the time period provided in Section 24.1, the same shall be deemed an Event of Default by Landlord and, subject to Section 24.3, Tenant may pursue all remedies available at law or in equity and may recover all costs and expenses incurred by Tenant by reason of such default by Landlord. Notwithstanding the foregoing, if Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied solely out of the right, title and interest of Landlord in the Premises and its underlying realty and out of the rents, or other income from said property receivable by Landlord, or out of the consideration received by Landlord's right, title and interest in said property, but neither Landlord nor any partner or joint venture of Landlord shall be personally liable for any deficiency.

24.3 Tenant agrees to give any mortgagee and/or trust deed holders ("MORTGAGEE"), by registered mail, a copy of any notice of default served upon the Landlord, provided that prior to such notice Tenant has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise) of the address of such Mortgagee. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided for in this Lease, then the Mortgagee shall have an additional sixty (60) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary to cure such default shall be granted if within such sixty (60) days Mortgagee has commenced and is diligently pursuing the remedies necessary to cure such default (including, but not limited to, commencement of foreclosure proceedings, if necessary to effect such cure), in which event the Lease shall not be terminated while such remedies are being so diligently pursued.

ARTICLE 25. DEFAULT AND REMEDIES

25.1 The occurrence of any of the following shall constitute an "EVENT OF DEFAULT" under this Lease by Tenant:

(a) Any failure by Tenant to pay when due any of the Rent required to be paid by Tenant hereunder where such failure continues for five (5) business days after Tenant's receipt of written notice that the same is overdue;

(b) A failure by Tenant to observe and perform any other provision of this Lease to be observed or performed by Tenant where such failure continues for thirty (30) days after written notice thereof from Landlord; provided, that if the nature of such default is such that the same cannot with due diligence be cured within said period, Tenant shall not be deemed to be in default if it shall within said period commence such during and thereafter diligently prosecutes the same to completion;

(c) Any default by Tenant under any other lease between Landlord and Tenant for other premises in the Center;

(d) The abandonment or vacation of the Premises, provided that if Tenant has vacated the Premises and is actively seeking a subtenant or assignee, no default shall be deemed to exist under this Lease so long as Tenant is paying the Rent required to be paid hereunder; and

(e) Any other event herein specified to be an Event of Default under this Lease.

25.2 In the event of any Event of Default by Tenant as aforesaid, in addition to any and all other remedies available to Landlord at law or in equity, Landlord shall have the right to immediately terminate this Lease and all rights of Tenant hereunder by giving written notice to Tenant of its election to do so. If Landlord shall elect to terminate this Lease, then it may recover from Tenant:

(a) The worth at the time of the award of the unpaid rent payable hereunder which had been earned at the date of such termination; plus

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

(c) The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of the award exceeds the amount of such rental loss which Tenant proves could be reasonably avoided; plus

(d) Any other amounts necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations hereunder or which, in the ordinary course of affairs, would likely result therefrom; and

(e) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by applicable California law from time to time.

25.3 As used in subparagraphs (a) and (b) above, the "worth at the time of the award" is computed by allowing interest at the rate of twelve (12%) percent per annum (the "INTEREST RATE"). As used in subparagraph (c) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award plus one (1%) percent.

25.4 Following the occurrence of an Event of Default by Tenant, Landlord shall also have the right, with or without terminating this Lease, to re-enter the Premises and remove all property and persons therefrom, and any such property may be removed and stored in a public warehouse or elsewhere at the cost and for the account of Tenant, all in accordance with all Legal Requirements.

25.5 If Landlord (in accordance with California Civil Code Section 1951.4) shall elect to re-enter as above provided or shall take possession of the Premises pursuant to legal proceedings or pursuant to any notice provided by law, and if Landlord has not elected to terminate this Lease, Landlord may continue this Lease and may either recover all rental as it becomes due or relet the Premises or any part or parts thereof for such term or terms and upon such provisions as Landlord, in its sole judgment, may deem advisable and shall have the right to make repairs to and alterations of the Premises.

25.6 If Landlord shall elect to relet as aforesaid, then rentals received by Landlord therefrom shall be applied as follows:

(a) to the payment of any indebtedness of Tenant to Landlord other than rent due hereunder from Tenant;

(b) to the payment of all costs and expenses incurred by Landlord in connection with such reletting;

(c) to the payment of the cost of any alterations of and repairs to the Premises; and

(d) to the payment of rent due and unpaid hereunder and the residue, if any, shall be held by Landlord and applied in payment of future rent as the same may become due and payable hereunder.

In no event shall Tenant be entitled to any excess rental received by Landlord over and above that which Tenant is obligated to pay hereunder. Should that portion of such rentals received from such reletting during any month, which is applied to the payment of rent hereunder, be less than the rent payable hereunder during that month by Tenant, then Tenant shall pay such deficiency to Landlord forthwith upon demand, and said deficiency shall be calculated and paid monthly. Tenant shall also pay Landlord as soon as ascertained and upon demand, all costs and expenses incurred by Landlord in connection with such reletting and in making any such alterations and repairs which are not covered by the rentals received from such reletting.

25.7 No re-entry or taking possession of the Premises by Landlord under this Article shall be construed as an election to terminate this Lease unless a written notice of such intention is given to Tenant or unless the

termination thereof be adjudged by a court of competent jurisdiction. Notwithstanding any reletting without termination by Landlord because of Tenant's default, Landlord may at any time after such reletting elect to terminate this Lease because of such default.

25.8 Nothing contained in this Article shall constitute a waiver of Landlord's right to recover damages by reason of Landlord's efforts to mitigate the damages to it caused by Tenant's default; nor shall anything in this Article adversely affect Landlord's right, as in this Lease elsewhere provided, to indemnification against liability for injury or damage to persons or property occurring prior to a termination of this Lease.

25.9 Subject only to Article 31, if Landlord shall retain an attorney for the purpose of collecting any rental due from Tenant or enforcing any other covenant of this Lease, Tenant shall pay the reasonable fees of such attorney for his services regardless of the fact that no legal proceeding or action may have been filed or commenced.

25.10 Any unpaid rent and any other sums due and payable hereunder by Tenant shall bear interest at the maximum lawful rate per annum from the due date and until payment thereof.

25.11 The terms "RENT," "RENT" and "RENTAL" as used herein and elsewhere in this Lease shall be deemed to be and mean the Base Rent, all Additional Rent, rental adjustments and any and all other sums, however designated, required to be paid by Tenant hereunder.

25.12 Tenant acknowledges that late payment by Tenant to Landlord of rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Landlord by the terms of any encumbrance and note secured by any encumbrance covering the Premises. Therefore, if any installment of rent due from Tenant is not received by Landlord when due more than once in any calendar year during the Term, Tenant shall pay to Landlord as additional rent an additional sum of six percent (6%) of the overdue rent as a late charge. The parties agree that this late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of late payment by Tenant. Acceptance of any late charge shall not constitute a waiver of Tenant's default with respect to the overdue amount, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord.

25.13 If Landlord shall retain a collection agency for the purpose of collecting any moneys due from Tenant arising out of an Event of Default hereunder, Tenant shall pay all fees of such collection agency for their services.

ARTICLE 26. PRIORITY OF LEASE AND ESTOPPEL CERTIFICATE

26.1 At Landlord's election, this Lease shall be either superior to or subordinate to any and all trust deeds, mortgages, or other security instruments, ground leases, or leaseback financing arrangements now existing or which may hereafter be executed covering the Premises and/or the land underlying the same or any part or parts of either thereof, and for the full amount of all advances made or to be made thereunder together with interest thereon, and subject to all the provisions thereof, all without the necessity of having further instruments executed by Tenant to effectuate the same. Tenant agrees to execute, acknowledge and deliver upon request by Landlord any and all documents or instruments which are or may be deemed necessary or proper by Landlord to more fully and certainly assure the superiority or the subordination of this Lease and to any such trust deeds, mortgages or other security instruments, ground leases, or leasebacks provided that as a condition to any such subordination and if this Lease shall be made subordinate to any future security instrument, any person or persons purchasing or otherwise acquiring any interest at a foreclosure sale under said trust deed, mortgages or other security instruments, or by termination of said ground leases or leasebacks, shall continue this Lease in full force and effect in the same manner as if such person or persons had been named as Landlord herein and this Lease shall continue in full force and effect as aforesaid, and Tenant shall automatically become the tenant of Landlord's successor in interest and shall attorn to said successor in interest. The words "PERSON" and "PERSONS" as used herein or elsewhere in this Lease shall mean individuals, partnerships, firms, associations and corporations.

See Addendum A-26.1.

26.2 Landlord and Tenant shall at any time and from time to time execute, acknowledge and deliver to the other party hereto, within ten (10) business days after such party's written request therefor, a written statement certifying as follows:

(a) that this Lease is unmodified and in full force (or if there has been modification thereof, that the same is in full force as modified and stating the nature thereof);

(b) that to the best of its knowledge, there are no uncured defaults or matters which, upon the passage of time and the giving of notice, or both, would constitute a default or breach by Tenant or Landlord, as applicable (or if such exist, the specific nature and extent);

(c) that no claims or defenses exist on the part of the certifying party and no events exist that would constitute a basis for such claim or defense (or if such exist, the specific nature and extent);

(d) the date to which any rents and other charges have been paid in advance, if any;

(e) such other matters which are reasonably requested by the requesting party with respect to the Lease and its status, including status of construction; and

(f) in the case of Tenant's certificate, that Tenant will not enter into any agreements or modification of the Lease without the prior written consent of the lender specified by Landlord, provided such consent would not be unreasonably withheld.

If Landlord or Tenant shall fail to execute and deliver any such statement to the requesting party within ten (10) business days, the requesting party may deliver a second written notice requesting the statement. If the party required to deliver the statement fails to make such delivery within five (5) business days following such second notice, the failure shall constitute an Event of Default hereunder entitling the requesting party to pursue available remedies as set forth in this Lease.

26.3 At Landlord's election, this Lease shall be subordinate to any and all encumbrances, covenants, restrictions, conditions and easements of record now existing or which hereafter may be executed ("RECORD MATTERS") covering the Premises and/or the land underlying the same or any parts thereof without the necessity of having further instruments executed by Tenant to effectuate the same, provided that any future encumbrances shall be subject to the provision of Section 26.1 above and any other Record Matters recorded after the date of this Lease shall not materially and adversely affect Tenant's use of the Premises. Landlord hereby confirms that it has no present knowledge of the existence of any encumbrances, covenants, restrictions, conditions or easements of record which now exist ,or which will be recorded in the future with respect to Parcel 2, that would materially and adversely affect Tenant's use of the Premises other than those shown in the title report for Center attached hereto as Exhibit H.

ARTICLE 27. HOLDING OVER

If, without the execution of a new lease or written extension of this Lease, and with the consent of Landlord, Tenant shall hold over after the expiration of the Term of this Lease, Tenant shall be deemed to be occupying the Premises as a tenant from month-to-month, which tenancy may be terminated as provided by law. During said tenancy, the Base Rent payable to Landlord by Tenant shall be one hundred fifty percent (150%) of the Base Rent set forth in Article 3 of this Lease which is payable immediately preceding the date of expiration of this Lease, and upon all of the other terms, covenants and conditions set forth in this Lease so far as the same are applicable.

If Tenant shall holdover and fail to surrender the Premises upon the termination of this Lease without Landlord's consent, in addition to any other liabilities to Landlord arising therefrom, Tenant shall and does hereby agree to indemnify and hold Landlord harmless from loss or liability resulting from such failure including, but not limited to, claims made by any succeeding tenant founded on such failure.

ARTICLE 28. NOTICES

All notices, approvals, demands, consents or other communications required or permitted under this Lease shall be in writing and shall be deemed to have been given when personally served or received by certified mail, postage prepaid, or on the next business day sent by telefax, Express Mail, Federal Express or similar reputable overnight delivery service, addressed to the appropriate party at the address indicated next to each party's signature below. Notwithstanding the foregoing, notices during the initial construction of the Premises relating to construction matters shall be governed by the provisions of Exhibit C.

ARTICLE 29. LIENS

29.1 Tenant shall pay all costs for work done by it or caused to be done by it in the Premises and Tenant shall keep the Premises and the Center free and clear of all mechanics' liens and other liens of account or work done for Tenant or persons claiming under it. Notwithstanding the foregoing, Tenant shall have no responsibility or liability with respect to liens filed with respect to the Base Building, and Tenant Improvements or any other work performed by Landlord pursuant to Article 8, Exhibit C or otherwise. Tenant agrees to and shall indemnify and hold Landlord harmless against liability, loss, damage, costs, attorneys' fees, and any other expenses on account of claims of liens of laborers or materialmen for work performed or materials or supplies furnished for Tenant or persons claiming under it. If any such lien shall attach to the Premises or the Center by reason of any work performed by Tenant, Tenant shall promptly, and in any event within twenty (20) days thereafter, discharge it as a matter of record or bond over it. If necessary to accomplish same, Tenant shall furnish and record a bond to insure the protection of Landlord, the Premises, and the Center (including all buildings located thereon or of which they form a part) from loss by virtue of any such lien.

29.2 Any bond furnished by Tenant pursuant to the provisions of Section 29.1 above shall be a lien release bond issued by a corporation authorized to issue surety bonds in the State of California in an amount equal to one and one-half the amount of such claim of lien. The bond shall meet the requirements of Civil Code Section 3143 and shall provide for the payment of any sum that the claimant may recover on the claim, together with said lien claimant's costs of suit if he recovers therein.

29.3 If a mechanics' lien which is Tenant's responsibility pursuant to Section 29.1 above has been filed, and Tenant shall not have discharged same of record within the time permitted by that Section, Landlord may (but shall not be obligated to) pay said claim and any costs, and the amount so paid, together with reasonable attorneys' fees incurred in connection therewith shall be payable by Tenant to Landlord as Additional Rent within five (5) days after written demand therefor. Tenant's failure to pay such Additional Rent shall constitute an Event of Default of this Lease, and Landlord may, without any further notice, exercise its remedies specified in Article 25 hereof.

29.4 Tenant shall, at least ten (10) days prior to commencing any work which might result in a lien as aforesaid, give Landlord written notice of its intention to commence such work, to enable Landlord to post, file and record a legally effective notice of non-responsibility. Landlord or its representatives shall have the right to enter into the Premises and inspect the same at all reasonable times, and shall have the right to post and keep posted thereon said notices of non-responsibility and such other notices as Landlord may deem proper to protect its interest therein.

ARTICLE 30. QUIET ENJOYMENT

Landlord agrees that Tenant, upon payment of the Base Rent, Additional Rent, and all other sums and charges required to be paid by Tenant hereunder, and the due and punctual performance of all of Tenant's other covenants and obligations under this Lease, shall have the quiet and undisturbed possession of the Premises.

ARTICLE 31. ATTORNEYS' FEES

Should either party hereto institute any action or proceeding in court to enforce any provision hereof or for damages or for declaratory or other relief hereunder, the prevailing party shall be entitled to receive from the losing party, in addition to court costs, such amount as the court may adjudge to be reasonable as attorneys' fees for

services rendered to said prevailing party, and said amount may be made a part of the judgment against the losing party.

ARTICLE 32. MISCELLANEOUS

32.1 Nothing contained in this Lease shall be deemed or construed as creating a partnership or joint venture between Landlord and Tenant or between Landlord and any other party, or cause Landlord to be in any manner responsible for the debts or obligations of Tenant, or any other party. The covenants in this Lease are made between the parties to the Lease and shall not be deemed or construed as creating any rights in any other party claiming to be a third party beneficiary of this agreement.

32.2 If any provision of this Lease shall be determined to be void or voidable by any court of competent jurisdiction, such determination shall not affect any other provision of this Lease and all such other provisions shall remain in effect. It is the intention of the parties hereto that if any provision of this Lease is capable of two constructions, one of which would render the provision void or voidable and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid.

32.3 If Tenant hereunder is a corporation or partnership, the parties executing this Lease on behalf of Tenant represent and warrant to Landlord that: they are authorized to enter into this Lease; this Lease is executed in the usual course of business of Tenant and that neither the corporate Articles nor Bylaws of Tenant or any partnership agreement of Tenant, as the case may be, require the consent of its shareholders or partners, as applicable, thereto; Tenant is a valid and existing corporation or partnership, as applicable; all things necessary to qualify Tenant to do business in California have been accomplished prior to the date of this Lease; all franchise and other taxes have been paid to the date of this Lease; all forms, reports, fees, and taxes required to be filed or paid by Tenant in compliance with all Legal Requirements will be filed and paid when due.

32.4 The entire agreement between the parties hereto is set forth in this Lease, and any agreement hereafter made shall be ineffective to change, modify, alter or discharge it in whole or in part unless such agreement is in writing and signed by both parties hereto. It is further understood that there are no oral agreements between the parties hereto affecting this Lease, and that this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter of this Lease, and none of the same shall be available to interpret or construe this Lease. All negotiations and oral agreements acceptable to both parties hereto have been merged into and are included in this Lease.

32.5 Landlord reserves the absolute right to effect such other tenancies in the Center. Tenant does not rely on the fact nor does Landlord represent that any specific tenant or number of tenants shall during the term of this Lease occupy any space in any Building.

32.6 The laws of the State of California shall govern the validity, performance and enforcement of this Lease. Should either party institute legal suit or action for enforcement of any obligation herein, it is agreed that the venue of such suit or action shall be in Alameda County, California, and Tenant expressly consents to Landlord's designating Alameda County as the venue of any such suit or action.

32.7 A waiver of any breach or default shall not be a waiver of any other breach or default. Landlord's consent to or approval of, any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent similar act by Tenant. The acceptance by Landlord of any rental or other payments due hereunder with knowledge of the breach of any of the covenants of this Lease by Tenant shall not be construed as a waiver of any such breach. The acceptance at any time or times by Landlord of any sum less than that which is required to be paid by Tenant shall, unless Landlord specifically agrees otherwise in writing, be deemed to have been received only on account of the obligation for which it is paid, and shall not be deemed an accord and satisfaction notwithstanding any provisions to the contrary written on any check or contained in a letter of transmittal.

32.8 Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefore, failure of power, governmental restrictions, regulations or controls, enemy or hostile governmental action, riot, civil commotion, fire or other casualty, inclement weather beyond seasonal norm and other causes of a like nature beyond the reasonable control of the party obligated to perform (any such event being "FORCE MAJEURE"), shall excuse the performance by such party for a period equal to any such prevention, delay or stoppage, except that Tenant's obligations to pay Rent and any other sums or charges specifically due and payable pursuant to this Lease shall not be affected thereby.

32.9 The term "LANDLORD" as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner or owners at the time in question of the Premises, and in the event of any transfer or transfers of title thereto, Landlord herein named (and in case of any subsequent transfers or conveyances, the then grantor) shall be automatically freed and relieved from and after the date of such transfer or conveyance of all liability as respects the performance of any covenants or obligations hereunder of the part of Landlord to be performed thereafter.

32.10 The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of the Landlord terminate all or any existing subleases and subtenancies, or may, at Landlord's option, operate as an assignment to it of any or all such subleases or subtenancies.

32.11 Although the printed provisions of this Lease were prepared and drawn by Landlord, this Lease shall not be construed either for or against Landlord or Tenant, but its construction shall be at all times in accord with the general tenor of the language so as to reach a fair and equitable result.

32.12 Except as otherwise expressly provided in this Lease, any and all "approvals", "consents" and "permissions" that either party is obligated or required to provide under this Lease shall not be unreasonably withheld or delayed.

32.13 Upon Landlord's written request not more often than once per year, Tenant shall promptly furnish to Landlord, from time to time, financial statements reflecting Tenant's current financial condition. If Tenant is a publicly held company, Tenant may furnish to Landlord Tenant's most recent publicly filed annual or quarterly report to satisfy this request.

32.14 Time is of the essence with respect to the performance of each of the covenants and agreements of this Lease.

32.15 Each and all of the provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and (except as set forth in Section 32.9 above and as otherwise specifically provided elsewhere in this Lease), their respective personal representatives, successors and assigns, subject at all times to all provisions and restrictions elsewhere in this Lease respecting the assignment, transfer, encumbering or subletting of all or any part of the Premises or Tenant's interest in this Lease.

See Addendum A-32.15.

32.16 Submission of this instrument by or on behalf of Landlord for examination or execution by Tenant does not constitute a reservation of or option for lease, and this instrument shall not be effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

32.17 The captions shown in this Lease are for convenience or reference only, and shall not, in any manner, be utilized to construe the scope or the intent of any provisions thereof.

32.18 This Lease shall not be recorded, but Tenant may record a short form Memorandum of this Lease at its expense and Landlord agrees to execute such a memorandum in a form reasonably approved by Landlord upon Tenant's request. In such event, upon Landlord's written request Tenant agrees to execute a quitclaim deed at the end of the term relinquishing any interest in the Premises.

32.19 Intentionally Deleted.

32.20 All agreements herein by Tenant, whether expressed as covenants or conditions, shall be deemed to be conditions for the purpose of this Lease.

32.21 The parties represent and warrant to each other that each has not dealt with any real estate agent other than Colliers International, as to Landlord, and The Staubach Company as to Tenant. Each agrees to indemnify and hold the other harmless from and against all loss, cost and expenses incurred by reason of the breach of such representation and warranty. Landlord shall be responsible for paying all commissions due, in accordance with the terms of a separate written agreement.

32.22 The terms of this Lease are confidential and constitute proprietary information of the parties. Neither party, nor its respective employees or agents, shall disclose the terms of this Lease to any other person without the prior written consent of the other party hereto, which consent may be withheld in such party's sole discretion. However, either party may disclose the terms of this Lease to its lenders, accountants and prospective transferees, provided that such lenders, accountants, and prospective transferees have a reasonable bona fide need to know such terms, and provided that the disclosing party ensures that such lenders, accountants and prospective transferees maintain the confidentiality of such terms. In addition, either party may disclose the terms of this Lease in litigation or other dispute resolution proceeding between Landlord and Tenant with respect to the Lease subject to the Lease being filed under seal if the filing of the document would otherwise make it publicly available and if the court approves of filing under seal, and: (i) pursuant to an order of a court of competent jurisdiction, provided that the disclosing party promptly notifies the other party of any motion to compel such disclosure and the disclosure order, and/or (ii) in order to comply with any applicable Securities Exchange Commission laws, rules or regulations, provided that the disclosing party notifies the other party of the fact that such disclosure will take place, subject, however, to the disclosing party in each of (i) and (ii), using commercially reasonable best efforts to limit the scope and extent of the disclosure.

32.23 The Addendum attached hereto is hereby made a part of this Lease.

See Addendum A-32.24-32.27.

WITNESS the signatures of the parties hereto, the day and year first above written.

LANDLORD:	TENANT:
GREENVILLE INVESTORS, L.P. By: Greenville Ventures, Inc. Title: General Partner	FORMFACTOR, INC., a Delaware corporation
By: /s/ William A. Drummond William A. Drummond Its: Vice President	By: /s/ Jens Meyerhoff Its: CFO
ADDRESS: 675 Hartz Avenue, Suite 300 Danville, CA 94526	ADDRESS: 2020 Research Drive Livermore, CA 94550

ADDENDUM TO LEASE

A-2.1 OPTIONS TO RENEW. Provided that no Event of Default by Tenant under this Lease exists as of the date of exercise of the applicable option or at the expiration of the initial term or preceding Option Term, and provided further that Tenant has not assigned this Lease, Tenant shall have the option to extend the initial lease term for four (4) additional, successive terms of five (5) years each (each, an "OPTION TERM"). Tenant shall exercise the option, if at all, by delivering to Landlord written notice of the exercise no sooner than fifteen (15) months nor later than twelve (12) months prior to the expiration of the initial Lease Term or preceding Option Term, as applicable. Tenant's right to exercise each option shall be conditioned upon Tenant delivering to Landlord with Tenant's notice of exercise, current financial reports which evidence that Tenant's financial condition on the date of exercise is equal to or better than Tenant's financial condition on the date of execution of this Lease. If Tenant's financial condition has declined in Landlord's business judgment, Landlord may refuse to accept Tenant's exercise unless Tenant agrees to provide a new Letter(s) of Credit with terms and amounts acceptable to Landlord in its business judgment to secure Tenant's obligations during the applicable Option Term.

All terms, provisions, conditions and covenants of this Lease shall remain in full force and effect during the Option Terms, provided that Tenant shall have no additional option periods and the Base Rent payable during the first Lease Year of each Option Term (and for increases during the Option Term, as applicable) shall be the market rate then prevailing as projected for the commencement of the applicable Option Term, for premises comparable in size, quality and location in comparable class R&D/Office buildings throughout the Tri-Valley/Livermore area taking into account all relevant factors (the "MARKET RENT"). Base Rent for the Option Term shall be determined prior to the commencement of the applicable Option Term in the following manner:

If Landlord and Tenant are unable to agree on the market rent within sixty (60) days after Tenant gives notice of its exercise of the Option Term, then Tenant shall have the right to revoke its exercise of the option by delivering written notice within ten (10) days following the expiration of such 60-day period. In the event of such revocation, Tenant shall forfeit all rights to thereafter exercise any option under this Lease and the Lease shall terminate at the end of the initial term, or then Option Term, as applicable. If Tenant does not revoke its exercise and elects to proceed with the determination of market rent, then the monthly Base Rent and Additional Rent payable during the Option Term shall be determined by appraisal in the following manner:

If Landlord and Tenant can agree on a single appraiser, then the rate set by such appraiser as set forth below shall be the Base Rent for the Option Term. If the parties cannot agree on a single appraiser, then each party, by giving written notice to the other party, shall appoint as an appraiser an experienced commercial real estate agent in the area in which the Premises are located. Said appointment shall be made within ten (10) days following the expiration of the sixty (60) day period aforesaid, and if one of the parties does not appoint an appraiser within that time, the single appraiser named shall be the sole appraiser and shall set the monthly Base Rent for the Option Term.

If the two appraisers are appointed as provided herein, each shall independently prepare an

estimate of the market rent within sixty (60) days. If the higher of the two estimates so determined is within ten percent (10%) of the lower estimate, then the monthly Base Rent to be paid by Tenant during the Option Term shall be the average of the amounts determined by the appraisers. If the difference between the two estimates exceeds ten percent (10%) of the lower one, the two appraisers shall select a third appraiser meeting the qualifications set forth hereinabove within ten (10) days thereafter who will likewise independently estimate the market rate within sixty (60) days after the appointment. The average of the two closest appraisals shall be set as the monthly Base Rent.

Each party shall pay the fees of the appraiser appointed by such party and the parties will share equally the fees of any third appraiser appointed pursuant to this Section A-2.1.

Notwithstanding the above, the Base Rent payable by Tenant during each Option Term shall be in addition to all Additional Rent and other sums and charges payable by Tenant under the terms of this Lease.

Tenant acknowledges that the options granted herein are personal to Tenant and may not be assigned with an assignment of this Lease except in connection with an assignment to an entity which controls, is controlled by or is under common control with Tenant (as defined in Article 20 of this Lease) or which is a successor to Tenant by merger, consolidation or sale of substantially all of Tenant's assets with Landlord's prior written consent, not to be unreasonably withheld.

A-4.7. HAZARDOUS SUBSTANCES. Landlord hereby represents that it has, prior to the date of this Lease, provided to Tenant copies of all environmental reports in its possession, regarding the presence of Hazardous Substances at the Center or upon, around or under Parcel 2. Except as specifically disclosed in the reports delivered to Tenant, Landlord represents and warrants that to its actual knowledge, Landlord does not know of any Hazardous Substances in the Center. Landlord shall indemnify, defend and hold Tenant harmless for any claims, costs or liabilities (collectively, "Claims") arising out of or relating to any breach or misrepresentation by Landlord of the foregoing representation and warranty. Landlord's confidentiality obligations under Section 4.7 and its indemnity obligations pursuant to this Section A-4.7 shall survive the termination of this Lease.

A-4.8 DECLARATION. Notwithstanding the provisions of Section 4.8, Landlord shall not amend the Declaration in a manner which (i) reduces the number of Tenant's exclusive parking spaces on Parcel 2, (ii) restricts Tenant 's permitted use described in Article 4, (iii) adversely and materially affects Tenant's access to or from Parcel 2 and Longard Road or South Front Road or (iv) increases the share of Common Area Costs assessed against Parcel 2 or Parcel 2's proportionate share of Shared Maintenance Costs, without the prior written consent of Tenant which shall not be unreasonably withheld or delayed.

A-9.3 REPAIRS BY TENANT. Notwithstanding the provisions of Section 9.4, except to the extent necessary due to damage caused by the negligence of Tenant, its employees, agents or contractors, Tenant shall have no obligation to replace the HVAC system or any other essential building system serving Building 2 (specifically excluding any special HVAC system for Tenant's operations in the Premises, such as the HVAC serving any "clean room", the replacement of which shall be at Tenant's sole cost and expense) within the last eighteen (18) months of the Term. If any such replacement is necessary, Landlord and Tenant shall mutually agree on the type of equipment to be installed and a commercially reasonable cost sharing arrangement which will take into account the number of years of the useful life of such equipment or system which will occur following the expiration of the Term. If Tenant subsequently exercises an option to extend the Lease, however, the replacement shall be at Tenant's sole option, cost and expense and within thirty (30) days after Tenant's exercise of the option, Tenant shall reimburse Landlord for all amounts previously paid by Landlord for the system replaced.

A-9.5. TENANT EQUIPMENT/IMPROVEMENTS. The equipment Tenant initially intends to install in the Premises is described on Exhibit C attached hereto. If landlord wishes to require removal of any Tenant Improvements, Landlord shall designate as a part of its approval pursuant to the terms of Exhibit C of the plans for Tenant's Work, any Tenant Improvements and/or Special Tenant Improvements (if any) or equipment which Landlord will require Tenant to remove at the expiration of the Term. In connection with

any such required removal by Tenant, Tenant shall repair all damage caused by such removal.

A-12.2. DAMAGE OR DESTRUCTION. If the Premises is damaged to an extent greater than 75% of its replacement cost, and Landlord has given Tenant notice of its election to terminate the Lease pursuant to Section 12.2, this Lease shall terminate upon the expiration of thirty (30) days after receipt by Tenant of such notice unless Tenant shall elect, by notice to Landlord within such 30-day period, to repair or restore the Premises. If Tenant so elects, this Lease shall continue in full force and effect and Tenant shall proceed to make repairs and restoration as soon as reasonably possible and the rent shall be abated as provided in Section 12.5 of the Lease. Subject to the rights of Landlord's lender, the proceeds of Landlord's insurance allocable to Building 3 and available for rebuilding shall be deposited into a construction escrow for the purpose of rebuilding and periodically disbursed to Tenant pursuant to procedures mutually agreed to by Tenant, Landlord and Landlord's lender. All costs in excess of the escrowed insurance proceeds shall be paid by Tenant. Notwithstanding the foregoing, Tenant shall not have the right to elect to rebuild unless there are at least five (5) full Lease Years remaining on the term of its Lease.

A-26.1. NON-DISTURBANCE AGREEMENT. Landlord shall use commercially reasonable efforts to obtain an agreement from Landlord's existing construction lender prior to the Delivery date to not disturb Tenant's possession under this Lease so long as Tenant is not in default of its obligations hereunder.

A-32.15. RESTRICTION ON SALE. Notwithstanding the provisions of Section 32.15 of the Lease, during the term of this Lease and provided that Tenant is not then in default of this Lease beyond any applicable cure period, Landlord shall not sell Parcel 2 or Building 2 to an entity on Tenant's competitor list which is attached hereto as Exhibit I without Tenant's prior written consent, which may be withheld in Tenant's sole discretion.

A-32.24. BUILDING SALE NOTICE RIGHTS. Landlord shall provide written notice to Tenant the first time Landlord responds in writing to a new interested third party to purchase Building 2, provided that Tenant is not then in default of this Lease beyond any applicable cure period. Landlord shall only be required to notify Tenant of third party interest one time with respect to the Building. Tenant shall have five (5) days to indicate its interest in negotiating a sale. Landlord may negotiate concurrently with Tenant and interested third party(ies). Landlord's obligation to notify Tenant as described herein shall in no way obligate Landlord to sell Building 2 to Tenant. Tenant's notice rights shall expire upon Landlord's execution of a sale agreement with a third party.

A-32.25. PARKING. Parcel 2 has been allocated 137 parking stalls assuming that roll-up doors are not required by Tenant. Throughout the Term of the Lease, all parking on Parcel 3 shall be for Tenant's exclusive use. Tenant is also leasing from Landlord the buildings designated as "Building 1", "Building 3" and "Building 5" on Exhibit A. So long as Tenant's lease of Building 1 is in effect, Tenant may use a portion of the parking spaces on Parcel 1 in connection with its use of Building 2, so long as the Tenant's lease of Building 3 is in effect, Tenant may use a portion of the parking spaces on Parcel 3 in connection with its use of Building 2 and so long as the Tenant's lease of Building 5 is in effect, Tenant may use a portion of the parking spaces on Parcel 5 in connection with its use of Building 2.

A-32.26 SIGNAGE. All of Tenant's signage at the Premises and Parcel 2 must be in accordance with the City-approved master sign program for the Center. The program provides 2' x 16' signage areas at each entry structure and a 2'6" x 5'0" signage area on a monument at the street in front of each building. Tenant's corporate logo and trade style are permitted to be used in accordance with the parameters of the sign program. Any additional signage outside the scope of the master signage program shall be subject to the approval of the Landlord (which shall not be unreasonably withheld) and the City of Livermore. Subject to City and Landlord's approval, Landlord shall permit Tenant to install a temporary sign or banner in the Center, in a location approved by Landlord, announcing the Center as Tenant's new headquarters location.

A-32.27 USE OF ROOF. Tenant acknowledges that Landlord has reserved the right to use the roof of Building 2, including the right to lease or license its use. Tenant and no employee or invitee of Tenant shall go upon the roof of the Building, except as otherwise expressly provided herein.

Tenant shall have the exclusive right to use 50% of the total area of the roof, in location(s) designated by Landlord and reasonably approved by Tenant, to install a satellite dish or cluster of dishes and ancillary telecommunications equipment in connection with Tenant's business operations. Tenant's roof use shall be on the following terms and conditions set forth herein. Subject to Applicable Laws, Tenant shall have the right to install or cause to be installed rooftop equipment ("ROOFTOP EQUIPMENT") pursuant to plans and specifications which shall be subject to Landlord's prior written approval, which shall not be unreasonably withheld or delayed on the roof of the Building, in a location as Landlord and Tenant may mutually agree. There shall be no additional charge payable by Tenant to Landlord for the use of such area or for the installation of the Rooftop Equipment. If the Rooftop Equipment is to be installed on the roof, Tenant shall notify Landlord in writing that the Rooftop Equipment is to be installed on the roof. Tenant shall be solely responsible for complying with (or causing its vendor to comply with) the requirements of such roof warranty or roof bond in connection with the installation, maintenance, repair, replacement or removal of the Rooftop Equipment. Tenant shall repair any damage to the roof caused by the installation, maintenance, repair, replacement or removal of the Rooftop Equipment. Landlord shall permit Tenant reasonable access to the designated area as reasonably necessary to install, maintain and remove the Rooftop Equipment, and Tenant shall indemnify Landlord and be solely responsible, at Tenant's cost and expense, for the maintenance and repair of the Rooftop Equipment, and Landlord shall have no responsibility with respect thereto unless the same was made necessary by the negligence or willful act of Landlord or Landlord's Agents. Tenant hereby agrees to defend, indemnify and hold Landlord harmless form any mechanics or materialmen's liens upon the Premises or the Center which result from work associated with the installation of the Rooftop Equipment. Tenant shall obtain all licenses or approvals required to install and operate the Rooftop Equipment. The Rooftop Equipment shall remain the property of Tenant and upon expiration of the Lease, Tenant shall remove the Rooftop Equipment and repair the Premises and any damage to the area upon which the Rooftop Equipment was located to the original condition, normal wear and tear excepted. Landlord shall have the right to request that Tenant relocate the Rooftop Equipment, if necessary, at Landlord's sole cost and expense to facilitate Landlord's use of the roof. Tenant covenants that the Rooftop Equipment will be installed, maintained and removed in accordance with all Applicable Requirements. Tenant shall be responsible for all damage caused by the installation, maintenance, repair and/or removal of Tenant's Rooftop Equipment. Tenant's access to the roof to exercise its rights hereunder shall be subject to Landlord's prior approval, which shall not be unreasonably withheld, provided that Tenant exercises such access rights in a manner that does not void any roof warranty. Tenant's Rooftop Equipment shall not interfere with the operation of any existing roof top equipment which has been installed on the portion of the roof used by Landlord. Landlord shall not install or permit the installation of any rooftop equipment which will interfere with any Rooftop Equipment for which Tenant has submitted installation plans to Landlord or which Tenant has previously installed on the portion of the roof for Tenant's use.

EXHIBIT A

SITE PLAN

EXHIBIT B

CENTER LEGAL DESCRIPTION AND PLAT MAP

REAL PROPERTY IN THE City of Livermore, County of Alameda, State of California, described as follows:

Parcels 1 through 8 as shown on Parcel Map No. 7624, filed December 12, 2000, in Book 254 of Maps at Pages 73 through 82, Alameda County Records.

EXHIBIT C

WORK LETTER

This Work Letter sets forth the terms and conditions relating to the construction of the Premises.

SECTION 1

INITIAL CONSTRUCTION OF THE BUILDING AND THE PREMISES

1.1 BASE BUILDING. Landlord shall construct the "BASE BUILDING" at Landlord's sole cost and expense; provided that any modifications to the Base Building required by the Tenant Improvement Work described below shall be deemed to be Tenant Improvements. The Base Building shall be constructed in accordance with the plans for such improvements listed on the plan list attached as Schedule 1 to this Exhibit C (the "PLAN LIST"). The Base Building shall include without limitation:

a. Fully enclosed tilt-up concrete building(s) with 5" thick concrete slab and grade doors as shown on the construction drawings;

b. Water and gas service stubbed into Building;

c. A sanitary sewer gut line as shown on the construction drawings;

d. 2000 amp, 480/277 volt, 3 phase electrical service with main switch in the electrical room;

e. Four (4) 4" telephone conduits and 8' x 8' plywood terminal board in the electrical room; and

f. Fire sprinklers at roof to meet Legal Requirements for the Building shell.

1.2 PARCEL 2 IMPROVEMENTS. Landlord shall construct the site improvements on Parcel 2 at Landlord's sole cost and expense in accordance with the plans for such improvements listed on the Plan List. The site improvements shall include, without limitation: site concrete, asphalt paving, striping, exterior lighting, site utilities and landscaping.

1.3 TENANT IMPROVEMENTS. Except for improvements to be constructed by Tenant as part of Tenant's Work described below, Landlord shall construct the "TENANT IMPROVEMENTS" required by Tenant for the Premises as set forth in Approved Tenant Improvement Plans described in Section 2.4 below. Landlord will disburse the Tenant Allowance described in Section 3 below to pay for the Tenant Improvement Costs (defined hereafter). All costs in excess of the Tenant Allowance shall be paid by Tenant as provided in Section 3. As used in this Lease, Tenant Improvements includes all improvements to the Building which are described in the Approved Tenant Improvement Plans.

1.4 LANDLORD'S WORK. "LANDLORD'S WORK" shall mean all work to be constructed by Landlord described in Sections 1.1, 1.2 and 1.3 above.

1.5 TENANT'S WORK. "TENANT'S WORK" will include installing all communications and information cabling and equipment required by Tenant and providing the required furnishings, fixtures and equipment for Tenant's use of the Premises.

1.6 SPECIAL TENANT IMPROVEMENTS. To expedite the construction of the Tenant Improvements, Tenant acknowledges and agrees that Landlord may amend its construction contract for the Base Building to include certain plumbing and sprinkler work, and such additional work as may be mutually agreed upon in writing by Landlord and Tenant, which are Tenant Improvement items ("SPECIAL TENANT IMPROVEMENTS"). Special Tenant Improvements shall be considered Tenant Improvements for all purposes of this Lease except they will not be included in the "Construction Contract" for the Tenant Improvements described in Section 3.1.

SECTION 2

TENANT IMPROVEMENT PLANS

2.1 ARCHITECT/CONSTRUCTION PLANS. Tenant has retained CAS Architects, Inc. (the "ARCHITECT") to prepare the construction plans for all Tenant Improvements to be constructed in the Premises. Landlord's contractor (the "CONTRACTOR ") will contract with design/build subcontractors to prepare working drawings relating to the HVAC, electrical, plumbing, life safety, and sprinkler work to be included in the Tenant Improvements. The final working plans and drawings to be prepared by Architect and Contractor's design/build subcontractors hereunder shall be known collectively as the "TENANT IMPROVEMENT PLANS". The scope, form and content of all plans and drawings shall be discussed in reasonable detail at each of the weekly meetings held pursuant to the terms of Section 2.6 below. All Tenant Improvement Plans shall be in a form suitable for bidding and construction by qualified contractors, shall meet the requirements of the City of Livermore, and shall be subject to Landlord's approval, which shall not be unreasonably withheld. Tenant and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the Base Building Plans, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Landlord's review of the Tenant Improvement Plans as set forth in this Section 2, shall be for its sole purpose and shall not obligate Landlord to review the same, for quality, design, Code compliance or other like matters. Accordingly, notwithstanding that any Tenant Improvement Plans are reviewed by Landlord or its architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Tenant Improvement Plans, and Tenant's waiver and indemnity set forth in Section 16 of this Lease shall specifically apply to the Tenant Improvement Plans.

2.2 FINAL DESIGN DRAWINGS. On or before the date set forth in construction schedule attached hereto as Schedule 2 (the "CONSTRUCTION SCHEDULE"), Tenant and the Architect shall prepare the final design drawings and specifications for Tenant Improvements in the Premises (collectively, the "FINAL DESIGN DRAWINGS"), which Final Design Drawings shall include a layout and designation of all offices, rooms and other partitioning, their intended use, and equipment to be contained therein to the extent that such equipment affects the mechanical or electrical design of the Premises, and shall deliver the Final Design Drawings to Landlord for Landlord's approval. Landlord's approval of such drawings shall not be unreasonably withheld or delayed. The Final Design Drawings submitted to Landlord: (i) shall provide for interior improvements only, the design of which shall be reasonably consistent with the space plan attached hereto as Schedule 3; (ii) shall provide for the use of readily available commercial building materials; (iii) shall include mechanical and electrical performance specifications for use as design criteria, and (iv) shall be reasonably sufficient for bidding by design/build subcontractors with a reasonable level of experience in the industry. If the Final Design Drawings delivered to Landlord by Tenant do not meet all of the foregoing criteria, Landlord may proceed to establish a Tenant Delay (as defined in Section 4.1).

2.3 FINAL WORKING DRAWINGS. On or before the relevant date set forth in Construction Schedule, Tenant, the Architect and Contractor's design/build subcontractors shall complete the Tenant Improvement Plans for the Premises, in a commercially reasonable and customary form which is reasonably sufficient to allow subcontractors to bid on the work and to obtain all permits required for the construction of the Tenant Improvements (the "PERMITS") and shall submit the same to Landlord for Landlord's approval. The Final Working Drawings shall be approved by Landlord (the "APPROVED TENANT IMPROVEMENT PLANS") within five 5 business days after Landlord receives the same from Tenant. If Landlord believes that the plans submitted are insufficient, Landlord may proceed to establish a Tenant Delay pursuant to Section 4 hereof.

2.4 PERMITS. In order to expedite the permitting process, prior to Landlord's approval pursuant to Section 2.3 above, Tenant may submit the Final Working Drawings to the appropriate municipal authorities for all Permits necessary to allow Landlord's contractor to commence and fully complete the construction of the Tenant Improvements. Notwithstanding the foregoing, Tenant acknowledges that Landlord does not waive the right to approve the Final Working Drawings and by electing to submit the Final Working Drawings for permit prior to Landlord's approval, Tenant is assuming the risk that Landlord may require changes in such drawings after the same have been submitted for permits. In connection with the permitting process, Tenant shall coordinate with Landlord

in order to allow Landlord, at its option, to take part in all phases of the permitting process and shall supply Landlord, as soon as possible, with all plan check numbers and dates of submittal and obtain the Permits on or before the date set forth in the Construction Schedule. Notwithstanding anything to the contrary set forth in this Section 2.4, Tenant hereby agrees that neither Landlord nor Landlord's consultants shall be responsible for obtaining any building permit for the Tenant Improvements and that the obtaining of the same shall be Tenant's responsibility (provided that Contractor shall submit its license number with the plans and shall also submit proof of liability insurance if required by the City of Livermore); further, Landlord shall, in any event, cooperate with Tenant in executing permit applications and performing other ministerial acts reasonably necessary to enable Tenant to obtain any such permits. No changes, modifications or alterations in the Approved Tenant Improvement Plans may be made without the prior written consent of Landlord, which shall not be unreasonably withheld, provided that if a proposed change would directly or indirectly delay the "SUBSTANTIAL COMPLETION" of Landlord's Work as that term is defined in Article 8 of the Lease, Landlord may proceed to establish a Tenant Delay pursuant to Section 4 hereof.

2.5 CONSTRUCTION SCHEDULE. Tenant shall use its best, commercially reasonable efforts and all due diligence to cause its Architect to complete all phases of the Tenant Improvement Plans and the permitting process and to receive the Permits. The applicable dates for approval of items, plans and drawings as described in this Section 2 are set forth in the Construction Schedule, attached hereto. If Tenant fails to comply with the deadlines set forth in Paragraphs A and/or C of the Construction Schedule, Landlord may proceed to establish a Tenant Delay pursuant to Section 4.1 hereof.

2.6 MEETINGS. Commencing upon the execution of this Lease, Landlord and Tenant shall hold weekly meetings at a reasonable time with the Architect and Contractor regarding the preparation of the Tenant Improvement Plans and the completion of Landlord's Work and Tenant's Work. Upon Landlord's request, certain of Tenant's Agents shall attend such meetings. Such meetings shall include a detailed review of the plans, drawings and specifications prepared to date and all participants in the meeting shall make a good faith effort to raise any issues or concerns they may have regarding the scope, form or content of any plan submitted.

2.7 CHANGE ORDERS. If, following Landlord's approval of the Approved Tenant Improvement Plans, Tenant wishes to change to such Approved Tenant Improvement Plans, Tenant shall deliver written notice to Landlord setting forth the requested change (a "CHANGE REQUEST"). Within five (5) business days following receipt of Tenant's Change Request, Landlord shall provide Tenant with (x) Landlord's good faith determination of the increased costs which are reasonably expected to result from such Change Request and (y) Landlord's good faith estimate of the Tenant Delay which is estimated to occur due to the work described in the change request. Tenant shall then have three (3) business days to approve the costs and Tenant Delay expected to result from the Change Request and, upon such approval by Tenant, Tenant shall deliver written notice requesting that the Approved Tenant Improvement Plans be modified ("CHANGE ORDER").

SECTION 3

COSTS OF THE TENANT IMPROVEMENTS

3.1 COST PROPOSAL. After the Approved Tenant Improvement Plans are signed by Landlord and Tenant, Landlord shall provide Tenant with a cost proposal for the Tenant Improvements described in such plans, which cost proposal shall include, as nearly as possible, the cost of all Tenant Allowance Items to be incurred by Landlord and Tenant in connection with the design and construction of the Tenant Improvements and Special Tenant Improvements and Landlord's estimate of the other Landlord's costs payable by Tenant pursuant to Section 3.5. To prepare such proposal Landlord's contractor for the Tenant Improvements shall solicit bids from a minimum of three (3) subcontractors reasonably approved by Tenant and Landlord for each major trade on an "OPEN BOOK" basis. Contractor's combined general conditions, profit and overhead for the construction shall be 8% of the cost. If the actual cost of such Tenant Improvements and Special Tenant Improvements set forth in the Cost Proposal exceeds the Tenant Improvement Allowance, the excess (the "OVER-ALLOWANCE AMOUNT") shall be approved by Tenant within three (3) business days, Tenant shall have the right to revise the Tenant Improvement Plans to reduce the Over-Allowance Amount and Landlord may proceed to establish a Tenant Delay pursuant to Section 4.1 for any delays resulting from the revision process. After the Cost Proposal has been approved by Tenant, Landlord will enter into a Guaranteed Maximum Price Contract, AIA Form A-111, 1997 ("the "CONSTRUCTION CONTRACT") with

Contractor designating the approved Cost Proposal amount as the Guaranteed Maximum Price, for the work described in the Approved Tenant Improvement Plans, subject to the other standard terms and conditions of the form contract.

3.2 TENANT IMPROVEMENT ALLOWANCE. Tenant shall be entitled to a one-time tenant improvement allowance (the "TENANT IMPROVEMENT ALLOWANCE") in the total amount set forth in Paragraph 1(h) of this Lease for the costs relating to the initial design and construction of the Tenant's Improvements. In no event shall Landlord be obligated to make disbursements pursuant to this Work Letter in a total amount which exceeds the Tenant Improvement Allowance.

3.3 DISBURSEMENT OF THE TENANT IMPROVEMENT ALLOWANCE. Except as otherwise set forth in this Work Letter, the Tenant Improvement Allowance shall be disbursed by Landlord for the costs of construction of the Tenant Improvements pursuant to the Construction Contract and for the following items and costs (collectively, the "TENANT ALLOWANCE ITEMS"):

A. All space planning fees, architectural and engineering fees, government fees incurred by Tenant or incurred by Landlord and reasonably approved by Tenant;

B. The payment of plan check, permit and license fees relating to construction of the Tenant Improvements;

C. The cost of any changes in the Base Building when such changes are required by the Tenant Improvement Plans, such cost to include all direct architectural and/or engineering fees and expenses incurred in connection therewith;

D. The cost of any changes to the Tenant Improvement Plans or Tenant Improvements required by Code;

E. The cost of the Special Tenant Improvements; and

F. A Landlord coordination fee for Building 2 of Twenty Two Thousand ($22,000).

3.4 OVER-ALLOWANCE AMOUNT. After Tenant has approved any Over-Allowance Amount pursuant to Section 3.1 above, Tenant shall pay to Landlord the Over-Allowance Amount in equal monthly installments in advance over the projected 4-month period of Landlord's construction of the Tenant Improvements, with the first installment payable prior to and as a condition of Landlord's obligation to commence construction of the Tenant Improvements. The Over-Allowance Amount shall be disbursed by Landlord pursuant to the same procedure as the Tenant Improvement Allowance, which procedure shall provide for the retention of ten (10%) of all construction funds until the construction of the Tenant Improvements has been completed. In the event that, after the Cost Proposal is prepared, any revisions, changes, or substitutions shall be made to the Approved Tenant Improvement Plans or the Tenant Improvements pursuant to Tenant's Change Order request, and provided that Landlord has approved the same, any additional costs which arise in connection with such revisions, changes or substitutions or any other additional costs shall be paid by Tenant to Landlord in advance equal monthly installments over the construction period remaining as an addition to the Over-Allowance Amount.

3.5 OTHER LANDLORD COSTS. Tenant shall also be responsible for the payment of (i) the fees incurred by Landlord for Landlord's consultants in connection with design drawing review and routine construction support related to the Tenant Improvements, (ii) the cost of documents and materials supplied by Landlord and Landlord's consultants, and (iii) all other verifiable, directly related costs, such as blueprint costs and delivery, fax and copy charges incurred by Landlord and Landlord's consultants related to the design/routine construction support of the Tenant Improvements. The Cost Proposal submitted to Tenant pursuant to Section 3.1 above shall include Landlord's estimate of the foregoing costs. The Tenant Improvement Allowance will not be used to pay the foregoing costs. Tenant shall pay such costs to Landlord from time to time within ten (10) days after receipt from Landlord of statements of such expenses.

3.6 MONTHLY REPORTS. Landlord shall deliver to Tenant on a monthly basis during the period of construction of the Tenant Improvements the following: (i) a report showing the schedule, by trade, of percentage of completion of the Tenant Improvements in the Premises and detailing the portion of the work completed and the portion not completed; (ii) invoices from Landlord's Contractor for labor rendered and materials delivered to the Premises; and (iii) all other information reasonably requested by Tenant.

SECTION 4

TENANT DELAYS

4.1 TENANT DELAYS. As used in this Lease, the term "TENANT DELAY" shall mean the period of an actual delay or delays in the Substantial Completion of Landlord's Work or in the occurrence of any of the other conditions precedent to the Delivery Date, as set forth in Article 8 of the Lease, to the extent resulting from:

a. Tenant's failure to apply to the City for Permits for the Tenant Improvement Plans by the date set forth in Paragraph C of the Construction Schedule;

b. Tenant's failure to approve any matter requiring Tenant's approval within the time period specifically provided in this Work Letter for such approval;

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

d. Changes in the Approved Tenant Improvement Plans required because the same do not comply with Code or other applicable laws;

e. Tenant's Change Orders;

f. Tenant's specification in the Tenant Improvement Plans of materials, components, finishes or improvements which are not available in a commercially reasonable time period given the anticipated date of Substantial Completion of the Premises, as set forth in the Construction Schedule;

g. Changes to the Base Building work described in the Plan List required by the Approved Tenant Improvement Plans; or

h. Any other acts or omissions of Tenant, or its agents, or employees,

Landlord shall provide prompt (within 48 hours of becoming aware of any such delay) written notice to Tenant ("Delay Notice") specifying the action or inaction which Landlord contends constitutes a Tenant Delay hereunder. The period of delay, however, shall commence to run on the date of the action or inaction and not on the date of the Delay Notice. To the extent an action or inaction by Tenant specified in any Delay Notice constitutes a Tenant Delay as defined above and actually results in a delay in the Substantial Completion of the Premises (after taking into account any delays resulting from Landlord Delays and/or Force Majeure Delays described below), a Tenant Delay shall be deemed to have been established and on the Delivery Date Tenant shall pay to Landlord an amount equal to one day's Rent for each day of Tenant Delay.

4.2 TENANT'S LEASE DEFAULT. Notwithstanding any provision to the contrary contained in this Lease: (i) if an Event of Default as described in Article 25 of the Lease has occurred; or (ii) a default by Tenant under this Work Letter has occurred at any time on or before the substantial completion of Landlord's Work and Tenant fails to remedy the default within such 48 hours after written notice from Landlord, then Landlord may thereafter: (x) in addition to all other rights and remedies granted to Landlord pursuant to the Lease, Landlord shall have the right to withhold payment of all or any portion of the Tenant Improvement Allowance and/or Landlord may cause Contractor to cease the construction of the Premises (in which case, Tenant shall be responsible for any Tenant Delay resulting from such work stoppage as set forth in Section 4.1 above of this Work Letter), and (y) all other obligations of Landlord under the terms of this Work Letter shall be deferred until such time as such default is cured pursuant to the terms of the Lease.

4.3 LANDLORD DELAY. As used herein, "LANDLORD DELAY" shall mean: (i) any actual delay in the completion of the work Tenant is required to perform hereunder which results from any failure of Landlord to act or provide approvals within five (5) business days; or (ii) the actual delay in the Substantial Completion of Landlord's Work due to any failure of Landlord, its agents, employees or contractors to perform the Base Building work or other work required to be provided by Landlord hereunder in compliance with the terms hereof and in compliance with applicable laws, rules and regulations or due to any other acts or omissions of Landlord, or its agents, or employees. Without limiting the generality of the foregoing, if Tenant has submitted its Final Design Drawings to Landlord in the form required by Section 2.2 above by the date set forth in Paragraph A of the Construction Schedule, the failure of Contractor's design/build contractors to complete their plans by the date set forth in Paragraph B on the Construction Schedule, for any reason other than a Tenant Delay, shall constitute a Landlord Delay for purposes hereof. Tenant shall provide prompt (within 48 hours of becoming aware of any such delay) written notice to Landlord ("Delay Notice") specifying the action or inaction which Tenant contends constitutes a Landlord Delay hereunder. The period of delay, however, shall commence to run on the date of the action or inaction and not on the date of the Delay Notice.

4.4 FORCE MAJEURE DELAYS. The term "FORCE MAJEURE DELAYS" shall mean delays caused by any event of force majeure described in Section 32.8 of the Lease and shall also include any time period in excess of six weeks between the date that Tenant submits the Final Design Drawings to the City of Livermore for Permits and the date the Permits are issued, unless the delay in issuing Permits is due to a Tenant Delay.

4.5 SUBSTANTIAL COMPLETION. The date set forth in the Construction Schedule for Landlord's Substantial Completion shall be extended for the period of any Tenant Delays and Force Majeure Delays.

SECTION 5

MISCELLANEOUS

5.1 TENANT'S REPRESENTATIVE. Tenant has designated Greg Gehlen and Dennis Rhett as its sole representatives with respect to the matters set forth in this Work Letter, each of whom, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Work Letter.

5.2 LANDLORD'S REPRESENTATIVE. Landlord has designated William Drummond as its sole representative with respect to the matters set forth in this 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 Work Letter.

5.3 TIME OF THE ESSENCE. Time is of the essence in this Work Letter. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days.

SCHEDULE 1

PLAN LIST -- BUILDING 2

ARCHITECTURAL - ALL DRAWINGS DATED 9-14-00 CONSTRUCTION SET

A0.1	Title Sheet		
A0.2	Title 24 ADA Notes		
A0.3	General Notes		
A1.1	Overall Site Plan		
A1.2	Enlarged Site Plan		
A2.2	Building Two: Floor Plan		
A3.2	Building Two: Roof Plan		
A4.2	Building Two: Exterior Elevations		
A5.1	Building Sections		
A5.2	Wall Sections		
A5.3	Wall Sections		
A6.1	Enlarged Floor Plans and Exterior Elevations		
A8.1	Door Schedule		
A9.1	Details		
A9.2	Details		
A9.3	Details		
A9.4	Details		

STRUCTURAL - DRAWINGS DATED 8-31-00 4TH PLAN CHECK SUBMITTAL, UNLESS OTHERWISE NOTED

SD-0	General Notes		
SD-1	Foundation Plan		
SD-2	Panel at Footing Details		
SD-3	Panel Details		
SD-4	Roof Details	7-28-00	2nd Plan Check Submittal
SD-5	Chevron Brace Details	7-28-00	2nd Plan Check Submittal
SD-6	Miscellaneous Details	7-28-00	2nd Plan Check Submittal
2S-1	Foundation Plan	6-16-00	Addendum 1
2S-2	Roof Framing Plan		
2S-3	Nailing Diagram		
2S-4.1	Panel Elevations		
2S-4.2	Panel Elevations		

PLUMBING - ALL DRAWINGS DATED 6-16-00 ADDENDUM 1

P0.1	Legend Notes & Schedule		
P2.02	Building Two Floor Plan		
P2.32	Building Two Roof Plan		

ELECTRICAL

E0.1	Legend Notes & Schedule	6-16-00	Addendum 1
E1.0	Site Plan Utilities	11-02-00	Addendum 6
E1.1	Site Plan Exterior Lighting	9-27-00	Addendum 5
E2.02	Building 2 Floor Plan	7-28-00	2nd Plan Check Submittal
E6.1	Single Line Diagram and Details	7-28-00	2nd Plan Check Submittal

LANDSCAPE - ALL DRAWINGS DATED 2-7-01 MISCELLANEOUS REVISIONS

L-1 Layout and Mounding Plan
L-2 Irrigation Plan
L-3 Planting Plan
L-4 Legend and Notes
L-5 Details

CIVIL - ALL DRAWINGS DATED 11-13-00 BULLETIN 2

C-1 Cover Sheet
C-2 Topographic Survey
C-3 Grading and Drainage Plan -- Phase I
C-4 Utility Plan -- Phase I
C-5 Driveway and Entry Details
C-6 Sections and Standard Details
C-7 City Standard Details
C-8 Erosion Control Plan -- Phase I
C-9 Phase 2 Borrow Area

SCHEDULE 2

CONSTRUCTION SCHEDULE

Dates	Actions to be Performed
A. May 19, 2001	Final Design Drawings to be completed by Tenant and delivered to Landlord.
B. June 22, 2001	Completion of Drawings by Contractor's design/build contractors
C. June 25, 2001	Tenant to deliver Final Approved Tenant Improvement Plans to the City with application for Permits
D. August 8, 2001	Tenant to deliver Permits to Contractor.
E. December 10, 2001	Substantial Completion of Landlord's Work

SCHEDULE 3

SPACE PLAN OF THE PREMISES

EXHIBIT D

LETTER OF CREDIT

LETTER OF CREDIT NO.
IRREVOCABLE STANDBY LETTER OF CREDIT

PLACE AND DATE OF ISSUE:

ACCOUNT PARTY: FORMFACTOR, INC., 2020 RESEARCH DRIVE, LIVERMORE, CALIFORNIA 94550

BENEFICIARY: GREENVILLE INVESTORS, L.P., 675 HARTZ AVENUE, SUITE 300, DANVILLE, CALIFORNIA 94526

AMOUNT: $_____

EXPIRY DATE AND PLACE FOR PRESENTATION OF DOCUMENTS: [12 MONTHS FROM ISSUE DATE] IMPERIAL BANK INTERNATIONAL DIVISION, 2015 MANHATTAN BEACH BLVD., 2nd FLR., REDONDO BEACH, CA 90278

CREDIT IS AVAILABLE WITH IMPERIAL BANK INTERNATIONAL DIVISION AGAINST PAYMENT OF DRAFTS DRAWN AT SIGHT ON IMPERIAL BANK INTERNATIONAL DIVISION, 2015 MANHATTAN BEACH BLVD., 2nd FLR., REDONDO BEACH, CA 90278

DOCUMENTS REQUIRED:

1. THE ORIGINAL OF THIS STANDBY LETTER OF CREDIT AND AMENDMENTS) IF ANY.

2. BENEFICIARY'S STATEMENT DATED AND PURPORTEDLY SIGNED BY AN AUTHORIZED REPRESENTATIVE CERTIFYING THAT A DEFAULT HAS OCCURRED UNDER ONE OR MORE OF THE TERMS OF THAT CERTAIN LEASE AGREEMENT DATED 2001 THAT EXISTS BETWEEN FORMFACTOR, INC. AND BENEFICIARY (THE "LEASE") AND ANY APPLICABLE CURE PERIOD HAS LAPSED WITHOUT REMEDY.

SPECIAL CONDITIONS:

ALL INFORMATION REQUIRED WHETHER INDICATED BY BLANKS, BRACKETS OR OTHERWISE, MUST BE COMPLETED AT THE TIME OF DRAWING.

ALL SIGNATURES MUST BE MANUALLY EXECUTED ORIGINALS.

UPON RECEIPT OF THE DOCUMENTATION REQUIRED, WE WILL HONOR BENEFICIARY'S DRAWS AGAINST THIS IRREVOCABLE STANDBY LETTER OF CREDIT WITHOUT INQUIRY INTO THE ACCURACY OF BENEFICIARY'S SIGNED STATEMENT AND REGARDLESS OF WHETHER ACCOUNT PARTY DISPUTES THE CONTENT OF THAT STATEMENT.

PARTIAL DRAWINGS MAY BE MADE UNDER THIS LETTER OF CREDIT, PROVIDED, HOWEVER, THAT EACH SUCH DEMAND THAT IS PAID BY US SHALL REDUCE THE AMOUNT AVAILABLE UNDER THIS LETTER OF CREDIT.

IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL BE DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR PERIODS FROM

THE PRESENT EXPIRATION DATE HEREOF, UNLESS AT LEAST SIXTY (60) DAYS PRIOR TO ANY SUCH DATE, WE SHALL NOTIFY YOU IN WRITING BY CERTIFIED MAIL OR COURIER SERVICE AT THE ABOVE LISTED ADDRESS THAT WE ELECT NOT TO CONSIDER THIS IRREVOCABLE LETTER OF CREDIT EXTENDED FOR ANY SUCH ADDITIONAL PERIOD. UPON RECEIPT BY YOU OF SUCH NOTICE, YOU MAY DRAW HEREUNDER BY MEANS OF YOUR DRAFTS) ON US AT SIGHT ACCOMPANIED BY YOUR ORIGINAL SIGNED STATEMENT WORDED AS FOLLOWS: [BENEFICIARY] HAS RECEIVED NOTICE FROM IMPERIAL BANK THAT THE EXPIRATION DATE OF LETTER OF CREDIT NO. [INSERT L/C NO.] WILL NOT BE EXTENDED FOR AN ADDITIONAL PERIOD. AS OF THE DATE OF THIS DRAWING, [BENEFICIARY] HAS NOT RECEIVED A SUBSTITUTE LETTER OF CREDIT OR OTHER INSTRUMENT ACCEPTABLE TO [BENEFICIARY] AS SUBSTITUTE FOR IMPERIAL BANK LETTER OF CREDIT NO. [INSERT L/C NO.] AND THE PROCEEDS OF THIS DRAWING WILL BE APPLIED AND HELD AS A CASH SECURITY DEPOSIT PURSUANT TO THE TERMS OF THE LEASE.

NOTWITHSTANDING THE ABOVE, THE FINAL EXPIRATION DATE SHALL BE [SPECIFY DATE SIXTY (60) DAYS AFTER EXPIRATION DATE OF INITIAL TERM]

THIS LETTER OF CREDIT IS TRANSFERABLE SUCCESSIVELY IN WHOLE ONLY UP TO THE THEN AVAILABLE AMOUNT IN FAVOR OF ANY NOMINATED TRANSFEREE THAT IS THE SUCCESSOR IN INTEREST TO BENEFICIARY OR IS THE NEW OWNER OF CERTAIN STATED PROPERTY ("TRANSFEREE"), ASSUMING SUCH TRANSFER TO SUCH TRANSFEREE IS IN COMPLIANCE WITH THE THEN APPLICABLE LAW AND REGULATIONS, AT THE TIME OF TRANSFER, THE ORIGINAL STANDBY L/C AND AMENDMENTS, IF ANY, MUST BE SURRENDERED TO US TOGETHER WITH OUR TRANSFER FORM AS PER ANNEX "A" ATTACHED HERETO, WHICH FORMS AN INTEGRAL PART OF THIS LETTER OF CREDIT AND PAYMENT OF OUR TRANSFER COMMISSION.

APPLICANT WILL PAY THE TRANSFER FEES FOR THE FIRST TRANSFER ONLY.

ALL DRAFTS AND DOCUMENTS REQUIRED UNDER THIS LETTER OF CREDIT MUST BE MARKED: "DRAWN UNDER IMPERIAL BANK LETTER OF CREDIT NO. [INSERT L/C NO.]."

ALL DOCUMENTS ARE TO BE DISPATCHED IN ONE LOT BY COURIER SERVICE TO IMPERIAL BANK INTERNATIONAL DIVISION, 2015 MANHATTAN BEACH BLVD., 2nd FLR., REDONDO BEACH, CA 90278.

THIS LETTER OF CREDIT SETS FORTH IN FULL THE TERMS OF OUR UNDERTAKING AND SUCH UNDERTAKING SHALL NOT BE IN ANY WAY MODIFIED, AMENDED OR AMPLIFIED BY REFERENCE TO ANY DOCUMENT, INSTRUMENT OR AGREEMENT REFERRED TO HEREIN OR IN WHICH THIS LETTER OF CREDIT IS REFERRED TO OR TO WHICH THIS LETTER OF CREDIT RELATES, AND ANY SUCH REFERENCE SHALL NOT BE DEEMED TO INCORPORATE HEREIN BY REFERENCE ANY DOCUMENT, INSTRUMENT OR AGREEMENT.

WE HEREBY ENGAGE WITH YOU THAT ALL DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS CREDIT WILL BE DULY HONORED IF DRAWN AND PRESENTED FOR PAYMENT AT THIS OFFICE ON OR BEFORE THE EXPIRATION DATE OF THIS CREDIT.

EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED HEREIN, TI [IS CREDIT IS SUBJECT TO THE "UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS"(1993 REVISION) INTERNATIONAL CHAMBER OF COMMERCE (PUBLICATION NO. 500).

TRANSFER FORM ANNEX "A"

WHICH FORMS AN INTEGRAL PART TO IMPERIAL BANK STANDBY LETTER OF CREDIT NO. [INSERT L/C NO.].

TO: IMPERIAL BANK
_____
_____ DATE: _____

FOR VALUE RECEIVED, THE UNDERSIGNED BENEFICIARY HEREBY IRREVOCABLY TRANSFERS ALL RIGHTS UNDER THE ABOVE MENTIONED LETTER OF CREDIT TO:

_____
(NAME OF TRANSFEREE)

_____
(ADDRESS OF TRANSFEREE)

WE HEREBY CERTIFY THAT THE TRANSFEREE IS (CHECK ONE):
_____THE SUCCESSOR IN INTEREST TO THE BENEFICIARY;
_____THE NEW OWNER OF A CERTAIN STATED BUILDING LOCATED AT

_____

BY THIS TRANSFER, ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY IN IMPERIAL BANK LETTER OF CREDIT NO. [INSERT L/C NO.] ARE TRANSFERRED IN ITS ENTIRETY TO THE TRANSFEREE AND THE TRANSFEREE SHALL HAVE THE SOLE RIGHTS AS BENEFICIARY THEREOF, INCLUDING SOLE RIGHTS RELATING TO ANY AMENDMENTS, WHETHER NOW EXISTING OR HEREAFTER MADE. ALL AMENDMENTS ARE TO BE ADVISED DIRECTLY TO THE TRANSFEREE WITHOUT NECESSITY OF ANY CONSENT OF OR NOTICE TO THE UNDERSIGNED BENEFICIARY.

THE ORIGINAL LETTER OF CREDIT NO. [INSERT L/C NO.] PLUS ALL ORIGINAL AMENDMENTS, IF ANY, ARE ENCLOSED HERETO AND WE ASK YOU TO ENTER THE TRANSFER ON THE REVERSE SIDE OF THE ORIGINAL LETTER OF CREDIT AND FORWARD IT TOGETHER WITH THE AMENDMENTS, IF ANY, DIRECTLY TO THE TRANSFEREE WITH YOUR CUSTOMARY NOTICE OF TRANSFER.

OUR CHECK IN THE AMOUNT OF $_____ COVERING THE TRANSFER FEE IS ENCLOSED HERETO AND WE AGREE TO PAY YOU ON DEMAND ANY EXPENSES WHICH MAY BE INCURRED BY YOU IN CONNECTION WITH THIS TRANSFER.

VERY TRULY YOURS,

SIGNATURE AUTHENTICATED

_____ _____
SIGNATURE OF BENEFICIARY
BENEFICIARY'S NAME:_____

_____
(AUTHORIZED SIGNATURE)

EXHIBIT E

RULES AND REGULATIONS

1. The sidewalks, passages, exits and entrances of the Building (the "Building") shall not be obstructed by Tenant or used by it for any purpose other than for ingress and egress from the Premises. The passages, exits, entrances, elevators and stairways are not for the use of the general public, and Landlord shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the judgment of the Landlord would be prejudicial to the safety, character, reputation and interests of the Building and its tenants, provided that nothing herein contained shall be construed to prevent such access to persons with whom Tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. Tenant shall not go upon the roof of the building except as permitted to install and operate rooftop equipment pursuant to the Lease.

2. The Premises shall not be used for lodging or sleeping, and unless ancillary to a food service or cafeteria use for Tenant's employees and invitees permitted under the terms of the Lease, no cooking shall be done or permitted by Tenant on the Premises, except that the preparation of coffee, tea, hot chocolate and similar items for Tenant and its employees shall be permitted. Tenant shall not cause or permit any unusual or objectionable odors to be produced on the Premises.

3. Unless specifically provided for in the Lease, all janitorial work and light bulb replacement for the Premises shall be paid for by the Tenant.

4. Intentionally Deleted.

5. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline or flammable or combustible fluid or materials or use any method of heating or air conditioning except as permitted under the terms of the Lease. Tenant shall not use, keep or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business in the building.

6. Nothing shall be placed on the outside of the Building, including the exterior windowsills or projections.

7. Tenant must, upon Lease termination, leave the doors and windows in the demised Premises in the condition required under the terms of the Lease.

8. Tenant shall not permit any animals, including but not limited to, any household pets to be brought or kept in or about the Premises, the Building or the Center or any of the Common Areas of the foregoing, except seeing eye dogs.

9. In case of invasion, mob, riot, public excitement or other circumstances rendering such action advisable in Landlord's opinion, Landlord reserves the right to prevent access to the Building during the continuance of same by such action as Landlord may deem appropriate, including closing entrances to the Building.

10. Tenant shall only allow its employees to park in such areas as designated by Landlord. Vehicles of Tenant and their employees may be required to have identifying stickers provided by Landlord. Tenant agrees to assist Landlord in enforcing parking restrictions and foreign substance of any kind whatsoever shall be deposited therein, and any damage resulting t same from Tenant misuse shall be paid for by Tenant.

11. Tenant shall see that the doors of the Premises are closed and securely locked at such time as Tenant's employees leave the Premises.

12. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose or in any other manner other than that for which they were constructed, no foreign substance of any kind whatsoever shall be deposited therein, and any damage resulting to same from Tenant misuse shall be paid for by Tenant.

13. Except with the prior consent of Landlord, Tenant shall not sell, or permit the sale from the Premises or use or permit the use of any sidewalk area adjacent to the Premises for the sale of newspapers, magazines, periodicals, theater tickets or any other goods, merchandise or service, or for any business or activity other than that specifically provided for in Tenant's lease.

14. Except with the prior consent of Landlord, no sales of merchandise, storage or any other business operation will be allowed in any of the Common Areas or outside of Tenant's premises.

15. Tenant shall not install any radio or television antenna, loudspeaker or other device on the roof or exterior walls of the Building except as otherwise expressly permitted under the terms of the Lease.

16. All wires used by Tenant must be clearly tagged at the distributing boards and junction-boxes and elsewhere in the Building, with the number of the office to which said wires lead, and the purpose for which said wires respectively are used, together with the name of the company operating same. The attaching of wires to the outside of the Building is absolutely prohibited.

17. Tenant shall not use or allow any of its vendors to use in any space, or in the common areas of the Building, any hand trucks, carts, dollies or bins except those equipped with rubber tires and wall protecting side guards. No other vehicles of any kind shall be brought by Tenant into the Building or kept in or about the Premises. Further, all repair costs of any damage resulting from deliveries to the Premises shall be at Tenant's sole cost and expense. Forklifts must be equipped with pneumatic (soft) tires only. Any other mobile weight handling equipment shall have the Landlord's written approval before use in the building.

18. Tenant shall store all its trash and garbage within designated trash enclosures. Any trash not disposed of in the manner above and determined and identified as being Tenant's will be properly disposed of by Landlord, and such Tenant shall be responsible for all costs for time, materials and labor involved. Absolutely no household items such as mattresses, garden clippings, furniture, tires, automobile batteries, etc. shall be disposed of in the Building. No hazardous material shall be placed in Building's trash boxes or receptacles or any other materials if Such material is of such nature that it may not be disposed of in the ordinary customary

manner of removing and disposing of trash and garbage in the City of Livermore without being in violation of any law or ordinance governing such disposal or any requirement or regulation.

19. Canvassing, soliciting, peddling or distribution of handbills or any other written material in the Center is prohibited and Tenant shall cooperate to prevent same.

20. Intentionally Deleted.

21. Subject to the terms of the Lease with respect to signage, Landlord reserves the right to select the name of the Center and the buildings therein and to make such change or changes of name as it may deem appropriate from time to time, and Tenant shall not refer to the Center and the buildings therein by any name other than; (i) the names as selected by Landlord (as same may be changed from time to time) or (ii) the postal address, approved by the United States Post Office. Tenant shall not use the name of the Center and the buildings therein in any respect other than as an address of its operation in the Center and in marketing efforts with respect to a proposed sublease without the prior written consent of Landlord.

22. At all times during the term of this Lease, Tenant shall not conduct any going-out-of-business, fire, bankruptcy, sidewalk or distress sale on or about the Premises without Landlord's prior written consent.

23. Intentionally deleted.

24. The requirements of Tenant will be attended to only upon application at such office location designated by Landlord. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless special written instructions have been given by Landlord to the employee.

25. Tenant shall not disturb, solicit, or canvass any occupant of the Building or Center and shall cooperate with Landlord or Agent of Landlord to prevent same.

26. Tenant is required per the City of Livermore Fire Code to have a fully serviced fire extinguisher(s) in the Premises in good working order, including a current inspection certificate.

27. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenant or tenants, but no such waiver by Landlord shall be construed as a waiver of the Rules and Regulations in favor of any other tenant or tenants, or prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the tenants in the Center or Landlord's Parcels.

28. Wherever the word "Tenant" occurs in these Rules and Regulations, it is understood and agreed that it shall mean Tenant's associates, agents, clerks, employees and visitors. Wherever the word "Landlord" occurs in the Rules and Regulations, it is understood and agreed that it shall mean Landlord's assigns, agents, clerks, and employees.

29. These Rules and Regulations are in addition to, and shall not be construed in any way to modify, alter or amend, in whole or part, the terms, covenants, agreements and conditions

of any lease of Premises in the Center. In the event of any express conflict between the terms of the Lease and the terms of this Exhibit E, the terms of the Lease shall control.

30. Landlord reserves the right to make such other reasonable rules and regulations as in its judgment may from time to time be needed to for safety, care and cleanliness of the Center, and for the preservation of good order herein

31. Tenant shall not exceed the maximum occupancy of the Premises as determined by the City of Livermore Fire Marshall.

32. Intentionally Deleted.

33. All window coverings installed by Tenant and visible from the outside of the Building require the prior written approval of Landlord, which shall not be unreasonably withheld or delayed.

34. Tenant shall park motor vehicles in those general parking areas as designated by landlord except for loading and unloading. During those periods of loading and unloading, Tenant shall not unreasonably interfere with the traffic flow within the Center and loading and unloading areas of other tenants.

35. Business machines and mechanical equipment belonging to Tenant which causes noise or vibration that may be transmitted to the structure of the Building to such a degree as to be objectionable to Landlord or other Building tenants, shall be placed and maintained by Tenant at Tenant's expense on vibration eliminators or other devices sufficient to eliminate noise or vibration.

36. All goods, including material used to store goods, delivered to the Premises of Tenant shall be immediately moved into the Premises and shall not be left in the parking or receiving areas overnight.

37. Tractor trailers which must be unhooked or parked with dolly wheels on asphalt paving must use steel plates or wood blocks under the dolly wheels to prevent damage to the asphalt paving surfaces. No parking or storing of such trailers shall be permitted in the auto parking areas of the Center or on the streets adjacent thereto.

38. Forklifts which operate on asphalt paving areas shall not have solid rubber tires and shall only use tires that do not damage the asphalt.

39. Tenant shall not permit any motor vehicles to be washed on any portion of the premises or in the Common Areas of the Center not shall Tenant permit mechanical work or maintenance of motor vehicles, to be performed on any portion of the premises or in the Common Areas of the Center.

EXHIBIT F

LIST OF HAZARDOUS SUBSTANCES

205 Fast Hardener	Nitrogen Trifluoride
* * *	* * *
Acetone	Oxygen
Acetylene	Palladium AA Standards
ACR Auxillary Salts	* * *
* * *	* * *
* * *	Potassium Cyanide
* * *	Potassium Hydroxide
Ammonium Hydroxide	* * *
Ardox 4025, D Film Resist Stripper	* * *
Argon	* * *
Aubel (2M)	Sodium Hydroxide
* * *	Sodium Hypochlorite
* * *	Sodium Persulfate
* * *	Sodium Sulfite
* * *	Sulfamic Acid
Bath: copper sulfate & sulfuric acid solution	Sulfuric Acid 10%
Bath: sulfuric acid & sodium hydroxide, acetic	* * *
Bath: sulfuric acid solution	Texmet Polishing Cloth
* * *	
Boric Acid	
* * *	
Butyl Acetate	
Carbon Dioxide	
Chloroform	
Copper AA Standard	
Cyanide Gold Reclaim	
* * *	
Epoxide Hardener	
Gold Solution	
Helium, Compressed	
* * *	
Hydrochloric Acid	
Hydrofluoric Acid	
Hydrogen Peroxide Solution 50%	
Isopropyl Alcohol	
Lead AA Standard	
* * *	
Liquid Nitrogen	
* * *	
Miscellaneous Acid Waste	
* * *	
* * *	
Nitric Acid 70%	

- ----------
Nitric Acid 70% Redistilled 99.999%
- ----------
Nitrogen
- ----------
Nitrogen Hydrogen Gas
- ----------

- ------------

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately.

EXHIBIT F-1

MINIMUM STANDARDS FOR HAZARDOUS SUBSTANCE USE AND/OR STORAGE AREAS

All areas where hazardous substances are used and/or stored will be designed, constructed, and operated to meet the minimum standards specified below.

Legal and Other Applicable Standards

All structures and equipment where hazardous substances are used and/or stored will, at a minimum, meet the standards specified in applicable federal, state, and local laws, regulations, codes, or standards.

Secondary Containment

Secondary containment must be provided for all liquid hazardous substances used and/or stored in indoor and outdoor areas. Containment capacity must be equal to or exceed the volume of the largest container or 10 percent of the total aggregate volume of all containers within the containment structure. Containment structures must be designed to ensure that contents of containers will not be released if containers tip over. The surfaces of the containment structures must be compatible with the hazardous substances used and/or stored, such that any hazardous substances released within the containment structure will not deteriorate or penetrate the containment structure. A building or interior room will not be considered a secondary containment structure unless the entire building or room meets the above specifications and entryways are designed to contain releases.

Container Storage

No hazardous substance container will be placed directly on top of any other container (i.e., no stacking), unless it can be demonstrated that such configuration could not result in releases of liquid hazardous substances. Containers will be stored in a manner such that exterior surfaces are readily accessible for visible inspection at all times. If hazardous substances are stored in drums or other large containers, any rows of such containers will be no more than two containers wide, with minimum aisle space between the rows of 24 inches.

Outdoor Areas

All solid hazardous substances stored in outdoor areas will be provided with secondary containment. All outdoor areas where hazardous substances are used and/or stored will be designed to prevent run-off or discharge of storm water that has been in contact with any hazardous substances or equipment.

Ancillary Equipment

All ancillary equipment (i.e., piping, pumps, valves, fittings, etc.) will be provided with secondary containment and will be constructed of materials compatible with the hazardous substances that contact the equipment.

Segregation of Incompatible Hazardous Substances

All incompatible hazardous substances will be segregated by secondary containment structures such that releases of incompatible hazardous substances cannot intermingle.

Ventilation

All areas where hazardous substance are used and/or stored will be adequately ventilated to prevent accumulation of flammable or explosive vapors. Ventilation systems will be provided with appropriate air pollution control equipment in accordance with federal, state, and local regulations.

EXHIBIT G

COPY OF CENTER

COVENANTS, CONDITIONS & RESTRICTIONS

- ---------------------
RECORDING REQUESTED
BY
CHICAGO TITLE COMPANY
- ---------------------

- ---
RECORDED AT THE REQUEST OF:

WHEN RECORDED RETURN TO:
Pacific Union Commercial Development
675 Hartz Avenue, #300
Danville, CA 94526

Attention Bill Drummond

CERTIFIED TO BE A TRUE COPY OF DOCUMENT
RECORDED 8-3-01 IN BOOK __
SERIES 2001-281501 OF OFFICIAL RECORDS
CHICAGO TITLE INS. CO
BY_____
- ---

DECLARATION OF COVENANTS CONDITIONS AND RESTRICTIONS OF PACIFIC CORPORATE CENTER

A Common Interest Development

INDEX
DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS OF
PACIFIC CORPORATE CENTER
A Common Interest Development

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
PACIFIC CORPORATE CENTER
A COMMON INTEREST DEVELOPMENT

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF PACIFIC CORPORATE CENTER ("Declaration") is made by GREENVILLE INVESTORS, L.P., a California limited partnership ("Declarant").

ARTICLE I
INTENTION OF DECLARATION

1.1 FACTS: This Declaration is made with reference to the following facts:

1.1.1 Property Owned by Declarant: Declarant is the owner of all the real property and Improvements thereon located in the City of Livermore, County of Alameda, State of California, described as follows:

Parcels 1 through 8, inclusive, as shown on Parcel Map 7624, filed for record on December 12, 2000, in Book 254 of Maps at Pages 73 through 82, inclusive, in the Official Records of the County of Alameda, State of California.

1.1.2 Nature of Project: Declarant intends to develop the Project as a Common Interest Development which shall be a planned development as defined in California Civil Code Section 1351(k). The Project is intended to be created in conformity with the provisions of the Davis-Stirling Common Interest Development Act (California Civil Code, Section 1350 et seq.). To establish the Project, Declarant desires to impose on the Project these mutually beneficial restrictions, easements, assessments and liens under a comprehensive general plan of improvement and development for the benefit of all of the Owners, the Parcels and Common Area within the Project.

1.2 APPLICABILITY OF RESTRICTIONS: Pursuant to California Civil Code Sections 1353 and 1354, Declarant hereby declares that the Project and all Improvements thereon are subject to the provisions of this Declaration. The Project shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the covenants, conditions and restrictions stated in this Declaration. All such covenants, conditions and restrictions are declared to be in furtherance of the plan for the subdivision, development and management of the Project as a Common Interest Development. All of the limitations, easements, uses, obligations, covenants, conditions, and restrictions stated in this Declaration shall run with the Project and shall inure to the benefit of and be binding on all Owners and all other parties having or acquiring any right, title or interest in any part of the Project.

ARTICLE II
DEFINITIONS

Unless otherwise defined or unless the context clearly requires a different meaning, the terms used in this Declaration, the Map and any grant deed to a Parcel shall have the meanings specified in this Article.

2.1 ADDITIONAL CHARGES: The term "Additional Charges" shall mean costs, fees, charges and expenditures, including without limitation, attorneys' fees, late charges, interest and recording and filing fees actually incurred by the Association in collecting and/or enforcing payment of assessments, fines and/or penalties.

2.2 ALTERATION: The term "Alteration" shall mean constructing, performing, installing, remodeling, repairing, replacing, demolishing, and/or changing the color or shade of any Improvement.

2.3 ARTICLES: The term "Articles" shall mean the Articles of Incorporation of Pacific Corporate Center Owners Association, which are or shall be filed in the Office of the Secretary of State of the State of California.

2.4 ASSOCIATION: The term "Association" shall mean Pacific Corporate Center Owners Association, its successors and assigns, a nonprofit mutual benefit corporation incorporated under the laws of the State of California.

2.5 ASSOCIATION LANDSCAPE AREA: The term "Association Landscape Area" shall mean the landscape strips, medians and areas situated within an Association Maintained Area as shown on the Maintenance Plat.

2.6 ASSOCIATION PRIVATE DRIVE: The term "Association Private Drive" shall mean the roadways, driveways and parking areas situated within an Association Maintained Area as shown on the Maintenance Plat.

2.7 BOARD: The term "Board" shall mean the Board of Directors of the Association.

2.8 BUDGET: The term "Budget" shall mean a pro forma operating budget prepared by the Board in accordance with Section 6.6.1 of this Declaration.

2.9 BUILDING: The term "Building" shall mean each of the buildings constructed on the Parcels approximately as shown on the Maintenance Plat.

2.10 BYLAWS: The term "Bylaws" shall mean the Bylaws of the Association and any amendments thereto.

2.11 CITY: The term "City" shall mean the City of Livermore, California.

2.12 COMMON AREA: The term "Common Area" shall mean easements under, over, upon and across the Association Landscape Areas and Association Private Drives, for the

purposes described in Section 3.4.3. Common Area includes all Improvements situated thereon or therein.

2.13 COUNTY: The term "County" shall mean the County of Alameda, State of California.

2.14 DECLARANT: The term "Declarant" shall mean GREENVILLE INVESTORS, L.P., a California limited partnership. The term "Declarant" shall also mean any person or entity if (i) a notice signed by Declarant and such person or entity has been recorded in the County in which such person or entity assumes the rights and duties of Declarant to some portion of the Project, or (ii) such person or entity acquires all of the Project then owned by a Declarant which must be more than one (1) Parcel. There may be more than one Declarant at any given time.

2.15 DECLARATION: The term "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions of Pacific Corporate Center and includes any subsequently recorded amendments.

2.16 FIRST MORTGAGE: The term "First Mortgage" shall mean a Mortgage which has priority under the recording statutes of the State of California over all other Mortgages encumbering a specific Parcel.

2.17 FIRST MORTGAGEE: The term "First Mortgagee" shall mean the Mortgagee of a First Mortgage. The term "First Mortgagee" shall also include an insurer or governmental guarantor of a First Mortgage including, without limitation, the Federal Housing Authority and the Department of Veteran's Affairs.

2.18 IMPROVEMENTS: The term "Improvements" shall mean everything constructed, installed or planted on real property, including without limitation, buildings, streets, fences, walls, paving, pipes, wires, grading, landscaping and other works of improvement as defined in Section 3106 of the California Civil Code, excluding only those Improvements or portions thereof which are dedicated to the public or a public or quasi-public entity or utility company, and accepted for maintenance by the public, such entity or utility company.

2.19 INVITEE: The term "Invitee" shall mean any person whose presence within the Project is approved by or is at the request of the Association or a particular Owner, including, but not limited to, lessees, tenants, and the family, guests, employees, licensees, patrons, customers, or invitees of Owners, tenants or lessees.

2.20 MAINTENANCE PLAT: The term "Maintenance Plat" shall mean the drawing attached hereto as Exhibit "A," "B-1" and "B-2."

2.21 MAP: The term "Map" shall mean Parcel Map 7624, recorded on December 12, 2000, in Book 254 of Maps at Pages 73 through 82, inclusive, in the Official Records of the County, including any subsequently recorded amended final maps, parcel maps, certificates of correction, lot line adjustments and/or records of survey.

2.22 MEMBER: The term "Member" shall mean an Owner.

2.23 MORTGAGE: The term "Mortgage" shall mean any duly recorded mortgage or deed of trust encumbering a Parcel.

2.24 MORTGAGEE: The term "Mortgagee" shall mean a Mortgagee under a Mortgage as well as a beneficiary under a deed of trust.

2.25 NOTICE AND HEARING: The term "Notice and Hearing" shall mean the procedure which gives an Owner notice of an alleged violation of the Project Documents and the opportunity for a hearing before the Board.

2.26 OWNER: The term "Owner" shall mean the holder of record fee title to a Parcel, including Declarant as to each Parcel owned by Declarant. If more than one person owns a single Parcel, the term "Owner" shall mean all owners of that Parcel. The term "Owner" shall also mean a contract purchaser (vendee) under an installment land contract but shall exclude the contract vendor and any person having an interest in a Parcel merely as security for performance of an obligation.

2.27 PARCEL: The term "Parcel" refers to a Separate Interest as defined in California Civil Code Section 1351(1) and shall mean Parcels 1 through 8, inclusive, as shown on the Map. Parcel includes all Improvements situated thereon or therein.

2.28 PROJECT: The term "Project" shall mean Parcels 1 through 8, inclusive, as shown on the Map and all Improvements thereon.

2.29 PROJECT DOCUMENTS: The term "Project Documents" shall mean the Articles, Bylaws, this Declaration and the Rules.

2.30 RULES: The term "Rules" shall mean the rules adopted by the Board, including architectural guidelines, restrictions and procedures.

2.31 SHARED LANDSCAPE AREA: The term "Shared Landscape Area" shall mean the landscape strips, medians and areas situated within a Shared Maintenance Area as shown on the Maintenance Plat.

2.32 SHARED PRIVATE DRIVE: The term "Shared Private Drive" shall mean the roadways, driveways and parking areas situated within a Shared Maintenance Area as shown on the Maintenance Plat.

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ARTICLE III
OWNERSHIP AND EASEMENTS

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3.1 NON-SEVERABILITY: The interest of each Owner in the use and benefit of the Common Area shall be appurtenant to the Parcel owned by the Owner. Any conveyance of any Parcel shall automatically transfer the right to use the Common Area without the necessity of express reference in the instrument of conveyance. The ownership interests in the Common Area and Parcels described in this Article are subject to the easements described, granted and reserved in this Declaration. Each of the easements described, granted or reserved herein shall be established upon the recordation of this Declaration and shall be enforceable as equitable

servitudes and covenants running with the land for the use and benefit of the Owners and their Parcels superior to all other encumbrances applied against or in favor of any portion of the Project.

3.2 OWNERSHIP OF PARCELS: Title to each Parcel in the Project shall be conveyed in fee to an Owner, subject to the easement in the Common Area and any other easements described in Section 3.4, below.

3.3 OWNERSHIP OF COMMON AREA: An easement in the Colmon Area shall be conveyed to the Association prior to or concurrently with the conveyance of the first-Parcel to an Owner. The Association shall be deemed to have accepted the Common Area conveyed to it when (i) a grant deed of easement conveying the Common Area has been recorded in the Official Records of the County and (ii) assessments have commenced.

3.4 EASEMENTS: The easements and rights specified in this Article are hereby created and shall exist whether or not they are also set forth in individual grant deeds to Parcels. By reference to this Declaration, each grant deed to a Parcel shall be deemed to be conveyed with the benefit of and subject to all applicable easements set forth in this Section.

3.4.1 Additional Easements: Notwithstanding anything expressed or implied to the contrary, this Declaration shall be subject to all easements granted by Declarant for the installation and maintenance of utilities and drainage facilities necessary for the development of the Project.

3.4.2 Association: The Association and its duly authorized agents and representatives shall have a non-exclusive right and easement as is necessary to perform the duties and obligations of the Association set forth in the Project Documents, including the right to enter upon Parcels, subject to the limitations contained in this Declaration.

3.4.3 Common Area: There is hereby reserved from the conveyance of each Parcel and granted to the Association an easement for ingress, egress, utilities and landscaping purposes over, under and through the Common Area. Every Owner shall have a non-exclusive right and easement for the ingress, egress, use and enjoyment of the Common Area which shall be appurtenant to and shall pass with the title to every Parcel, subject to exceptions, limitations or restrictions set forth in the deed which conveys the Common Area to the Association.

3.4.4 Governmental Entities: All governmental and quasi-governmental entities, agencies and utilities and their agents shall have a non-exclusive easement over the Common Area for the purposes of performing their duties within the Project.

3.4.5 Man: The Common Area and Parcels are subject to all easements and rights of way shown on the Map.

3.4.6 Shared Landscape Area: There is hereby reserved from the conveyance of each of Parcels 1 through 6, inclusive, an easement for the installation, maintenance, repair and replacement of landscaping, irrigation and ancillary purposes, over, under and through the portions of these Parcels which are a "Shared Landscape Area." The Owners of Parcels 1 through 6, inclusive, shall each have a non-exclusive right and easement for installation,

maintenance, repair and replacement of landscaping, irrigation and ancillary purposes, under, over, upon and across any "Shared Landscape Area" which serves their Parcel, as indicated on the Maintenance Plat.

3.4.7 Shared Private Drive: There is hereby reserved from the conveyance of each of Parcels 1 through 6, inclusive, an easement for ingress, egress, and utilities purposes over, under and through the portions of these Parcels which are a "Shared Private Drive." The Owners of Parcels 1 through 6, inclusive, shall each have a non-exclusive right and easement for ingress, egress, utilities purposes, under, over, upon and across any "Shared Private Drive" which serves their Parcel, as indicated on the Maintenance Plat.

3.4.8 Storm Drains: There are reserved and granted for the benefit of each Parcel and the Common Area, over, under, across and through the Project, except the Buildings, non-exclusive easements for surface and subsurface storm drains and the flow of water in accordance with natural drainage patterns and the drainage patterns and Improvements installed or constructed by Declarant. Additionally, this Declaration and each Parcel and the Common Areas shall be subject to all easements granted by Declarant for the installation and maintenance of drainage Improvements necessary for the development of the Project.

3.4.9 Support, Maintenance and Repair: The Association and each Owner shall have a non-exclusive right and easement appurtenant to the Common Area and to all Parcels through each Parcel and the Common Area for the support, maintenance and repair of the Common Area and all Parcels.

3.4.10 Utilities: Each Owner shall have a non-exclusive right and easement over, under, across and through the Project, except for portions of the Project on which a structure is situated, for utility lines, pipes, wires and conduits installed by Declarant. Additionally, this Declaration and each Parcel and the Common Areas shall be subject to all easements granted by Declarant for the installation and maintenance of utilities necessary for the development of the Project.

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ARTICLE IV
USE RESTRICTIONS

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4.1 ALTERATIONS: Except as otherwise specifically provided in this Declaration, no Alteration may be made to any Improvement until plans have been submitted and approved pursuant to Article XI.

4.2 ANIMALS: The Board shall have the right to prohibit the maintenance of any pet which, after Notice and Hearing, is found to be a nuisance to other Owners. No dog shall be allowed outside of a Building unless it is under the control of a responsible person by leash.

4.3 ANTENNAS AND SATELLITE DISHES: No outside television antenna, microwave or satellite dish, aerial, or other such device (collectively "Video Antennas") with a diameter or diagonal measurement in excess of one (1) meter shall be erected, constructed or placed on any Common Area or Parcel without the approval of the Architectural Committee. Video antennas with a diameter or diagonal measurement of one (1) meter or less may be

installed only if they conform to the Architectural Standards and, if then required by the Architectural Standards, any necessary approval is obtained in accordance with the provisions of Article XI. Reasonable restrictions which do not significantly increase the cost of the Video Antenna system or significantly decrease its efficiency or performance may be imposed.

4.4 EXTERIOR LIGHTING: No Owner shall remove, damage or disable any exterior photo cell light fixture which is installed by Declarant. The Owner of the Parcel on which such exterior photo cell light fixture is situated shall at all times maintain the fixture in good working condition, including maintenance of the light bulb and shall pay all electric charges required to operate the fixture. Notwithstanding the foregoing, the Association shall maintain any exterior photo cell light fixtures, if any, which are connected to the Association's electric service.

4.5 INVITEES: Each Owner shall be responsible for compliance with the provisions of the Project Documents by that Owner's Invitees. An Owner shall promptly pay any Reimbursement Assessment levied and/or any fine or penalty imposed against an Owner for violations committed by that Owner's Invitees.

4.6 PARKING: No dilapidated or inoperable vehicle shall be parked or stored where visible from adjacent Parcels or the public streets adjacent to the Project. As long as applicable ordinances and laws are observed, including the requirements of Section 22658.2 of the California Vehicle Code, any vehicle which is in violation of this Declaration may be removed.

4.7 RENTAL OF PARCELS: An Owner shall be entitled to rent or lease a Parcel, if: (i) there is a written rental or lease agreement specifying that the tenant shall be subject to all provisions of the Project Documents and a failure to comply with any provision of the Project Documents shall constitute a default under the agreement; (ii) the period of the rental or lease is not less than thirty (30) days; (iii) the Owner gives notice of the tenancy to the Board and has otherwise complied with the terms of the Project Documents; and (iv) the Owner gives each tenant a copy of the Project Documents.

4.8 RULES: The Board may promulgate reasonable Rules relating to the use of the Project by Owners and their Invitees. Neither an Owner nor its Invitees shall violate any provision of this Declaration, the Bylaws or the Rules as the same may be amended from time to time.

4.9 SIGNS: All signs displayed in the Project shall be attractive and compatible with the design of the Project and shall comply with all applicable local ordinances. The Board may establish uniform Rules to govern the location, size and appearance of signs; provided, however, any sign which is installed consistent with the current Rules at the time of the installation, including a substantially similar replacement sign, if necessary, may remain in place (provided that it is properly maintained in good aesthetic condition consistent with any applicable Rules governing the maintenance of signs) notwithstanding any subsequent change to the Rules.

4.10 STORAGE OF WASTE MATERIALS: All garbage, trash and accumulated waste material shall be placed in appropriate covered containers.

4.11 TAXES: Each Owner shall be obligated to pay any taxes or assessments assessed by the County Assessor against that Owner's Parcel and personal property. Until such time as real property taxes have been segregated by the County Assessor, they shall be paid by the respective Owners. The proportionate share of the taxes for a particular Parcel shall be determined by dividing the initial Parcel sales price or, in the case of unsold Parcels, the price the Parcel is then being offered for sale by Declarant ("Offered Price"), by the total initial sales prices and Offered Prices of all Parcels. If an Owner fails to pay that Owner's proportionate share in accordance with the preceding sentence, the Association shall collect such share, including that Owner's interest and penalties, from the delinquent Owner.

4.12 USE OF BUILDINGS: Each Parcel and Building may be used for the following purposes which are presently permitted by local ordinance within the I-2 light industrial district: (a) manufacturing, assembling, processing, storage or packaging of products, except (1) manufacturing, processing, storage or packaging of chemicals, petroleum, and heavy agricultural products or other hazardous materials (this limitation should not be interpreted to prohibit the storage of reasonable quantities of hazardous materials in compliance with all applicable laws, rules and regulations) and (2) vehicle dismantling yards, scrap and waste yards; (b) warehousing and distribution facilities; (c) research and development facilities; (d) professional and administrative offices and (e) restaurants, except fast food facilities. Other uses which are permitted by local ordinance within the I-2 light industrial district are not permitted unless, however, the use is expressly approved by Declarant. Additional uses permitted by local ordinance within the I-3 zoning district are not permitted, even for any Parcel within the I-3 zoning district, unless, however, the use is expressly approved by Declarant. No Parcel or Building may be used for residential purposes. No Owner may permit or cause anything to be done or kept upon or in a Parcel which the Board reasonably determines either obstructs or interfere with the rights of other Owners or is noxious, harmful or unreasonably offensive to other Owners. Each Owner shall comply with all of the requirements of all federal, state and local governmental authorities, and all laws, ordinances, rules and regulations applicable to the Owner's Parcel.

4.13 USE OF COMMON AREA: All use of Common Area is subject to the Rules. There shall be no obstruction of any part of the Common Area. Nothing shall be stored or kept in the Common Area without the prior consent of the Board. Nothing shall be done or kept in the Common Area which will increase the rate of insurance on the Common Area without the prior consent of the Board. No Owner shall permit anything to be physically done or kept in the Common Area or any other part of the Project which might result in the cancellation of insurance on any part of the-Common Area, which would interfere with rights of other Owners, or which the Board determines is a nuisance, noxious, harmful or unreasonably offensive to other Owners. No waste shall be committed in the Common Area. The provisions of this Declaration concerning use, maintenance and management of the Common Area are subject to any rights or limitations established by any easements or other encumbrances which encumber the Common Area.

ARTICLE V
IMPROVEMENTS

5.1 MAINTENANCE OF COMMON AREA AND IMPROVEMENTS: Except as otherwise specifically provided in this Declaration, the Association shall be responsible for the maintenance, repair, replacement, management, operation, painting and upkeep of Common Area. The Association shall keep the Common Area in good condition and repair, provide for all necessary services and cause all acts to be done which may be necessary or proper to assure the maintenance of the Common Area in first class condition.

5.2 ALTERATIONS TO COMMON AREA:

5.2.1 Approval: Alterations to any Improvements situated in, upon or under the Common Area may be made only by the Association. A proposal for an Alteration to an Improvement may be made at any meeting. A proposal may be adopted by the Board, subject to the limitations contained in the Bylaws.

5.2.2 Funding: Expenditures for maintenance, repair or replacement of an existing capital Improvement for which reserves have been collected may be made from the Reserve Account. The Board may levy a Special Assessment to fund any Alteration of an Improvement for which no reserve has been collected.

5.3 MAINTENANCE OF PARCELS AND BUILDINGS:

5.3.1 Generally: Except as otherwise specifically provided in this Declaration, each Owner shall maintain and care for the Owner's Parcel, including the Building and other Improvements located thereon, but excluding the Common Area, in a manner consistent with the standards established by the Project Documents and other well maintained areas in the vicinity of the Project and in compliance with the Architectural Standards.

5.3.2 Utility Lines: Each Owner shall maintain, repair and replace those portions of all electric, gas, sewer, water and other utility lines, pipes wires and conduits which (i) are not maintained by a public or quasi-public entity or utility company and (ii) serve only that Owner's Parcel, irrespective of whether the utility line is located on Common Area, or another Parcel. The Association shall maintain, repair and replace those portions of all electric, gas, sewer, water and other utility lines, pipes wires and conduits situated within Common Area which (i) are not maintained by a public or quasi-public entity or utility company and (ii) serve more than one (1) Parcel.

5.3.3 Storm Water Improvements: Each Owner shall maintain, repair and replace those portions of all storm water pipes and other storm water Improvements situated on their Parcel, excluding Common Area (which shall be maintained by the Association) or Shared Maintenance Areas as shown on the Maintenance Plat (which shall be maintained in accordance with Section 5.6, below).

5.4 LIMITATIONS:

5.4.1 Architectural Committee Approval: Alterations may be made to the interior of a Building if the Owner complies with all laws and ordinances regarding alterations and remodeling. Any proposals for Alterations to the exteriors of a Building or to the portions of a Parcel not covered by a Building shall be made in accordance with the provisions of Article XI.

5.4.2 Loading Docks: No loading docks are permitted within the Project without the approval of Declarant, except (i) on Parcel 7 along the southern elevation of the Building constructed on this Parcel and (ii) on Parcel 8 along the western elevation of the Building constructed on this Parcel.

5.4.3 Fences: Unless otherwise approved by Declarant, no fence may be constructed within the Project except along the boundary of the Project on Parcels 7 and 8. The construction of any fence is subject to the approval of the Architectural Committee.

5.5 LANDSCAPING: All landscaping in the Project shall be maintained and cared for in a manner consistent with the standards of design and quality as originally established by Declarant and in a condition comparable to that of other well maintained areas in the vicinity of the Project. All landscaping shall be maintained in a neat and orderly condition. Any weeds shall be removed and any diseased or dead lawn, trees, ground cover or shrubbery shall be removed and replaced. All lawn areas shall be neatly mowed and trees and shrubs shall be neatly trimmed. Other specific restrictions on landscaping may be established in the Rules. Irrigation systems, if any, shall be fully maintained in good working condition to ensure continued regular watering of landscape areas, and health and vitality of landscape materials.

5.5.1 Common Area: The Association shall maintain all landscaping located on Common Area.

5.5.2 Parcels: Each Owner shall maintain all landscaping located within the Owner's Parcel, excluding the Common Area.

5.6 SHARED MAINTENANCE: The provisions of this Section 5.6 shall be individually applied to each Shared Landscape Area and Shared Private Drive which serves a group of Parcels, as indicated on the Maintenance Plat. The term "Obligated Owner," as used in this Section 5.6, shall refer to Parcels designated on the Maintenance Plat as having the obligation to maintain a particular Shared Landscape Area or Shared Private Drive.

5.6.1 Maintenance Standards: The term "Maintenance," as used in this Section 5.6 shall in the case of Shared Landscape Area, refer to all work required to maintain the landscaping within the Shared Landscape Area to the standards provided in Section 5.5, above. The term "Maintenance," as used in this Section 5.6 shall in the case of Shared Private Drive, refer to all work required to maintain, repair and, when necessary, replace and reconstruct the paved surface located on the Shared Private Drive and all storm drainage Improvements within the Shared Private Drive which serve more than one (1) Parcel. At all times the Shared Private Drives shall be maintained in a good, safe and usable condition, in good repair, and in compliance with all applicable state, county and local ordinances.

5.6.2 When Maintenance Required: Maintenance shall be required when determined by a majority of the Obligated Owners. The preceding sentence shall not extend to any Maintenance required as a result of the willful or negligent act of an Owner, or its family, contract purchasers, lessees, or tenants, or their licensees, guests, invitees or contractors and/or workmen providing services for individual Owners. Rather, any Maintenance required as a result of such negligence or willful action shall be the responsibility of the Owner to whom the

willful or negligent act is attributed. In the event that the Obligated Owners cannot agree with respect to the necessity for or standard of Maintenance, the contractors to be engaged to perform any Maintenance, or any other matters pertaining to the use or Maintenance of the Shared Landscape Area or Shared Private Drive, the dispute shall be submitted to the Board for arbitration and the decision of the Board shall be final.

5.6.3 Allocation of Costs: The costs of performing the Maintenance shall be shared by the Obligated Owners in accordance with the percentages set forth in the Maintenance Plat.

5.6.4 Indemnity and Right of Contribution: Each Obligated Owner shall be liable for an equal share of all costs, damages, attorneys' fees, expenses and liabilities arising from injury to person or property occurring on the Shared Private Drive for which (i) any Owner is held liable by virtue of the fact that it is the Owner of the Private Drive or the fact that the Obligated Owners failed to adequately perform Maintenance, or (ii) all Obligated Owners are held liable by virtue of their ownership of an easement or the fact that the Obligated Owners failed to adequately perform Maintenance. Any Obligated Owner who pays greater than their share of such costs, damages, attorneys' fees, expenses and liabilities shall have a right of contribution against any Obligated Owner who has paid less than their share of such costs, damages, attorneys' fees, expenses and liabilities.

5.7 RIGHT OF MAINTENANCE AND ENTRY BY ASSOCIATION: If an Owner fails to perform maintenance and/or repair which that Owner is obligated to perform pursuant to this Declaration, and if the Association determines, after Notice and Hearing given pursuant to the provisions of the Bylaws, that such maintenance and/or repair is necessary to preserve the attractiveness, quality, nature and/or value of the Project, the Association may cause such maintenance and/or repair to be performed. The costs of such maintenance and/or repair shall be charged to the Owner of the Parcel as a Reimbursement Assessment. In order to effectuate the provisions of this Declaration, the Association may enter any Parcel whenever entry is necessary in connection with the performance of any maintenance or construction which the Association is authorized to undertake. Entry within a Parcel shall be made with as little inconvenience to an Owner as practicable and only after reasonable advance written notice of not less than forty-eight (48) hours, except in emergency situations.

5.8 DAMAGE AND DESTRUCTION -- ASSOCIATION: The term "restore" shall mean repairing, rebuilding or reconstructing a damaged Improvement to substantially the same condition and appearance in which it existed prior to fire or other casualty damage. If fire or other casualty damage extends to any Improvement which is insured under an insurance policy held by the Association, the Association shall proceed with the filing and adjustment of all claims arising under the existing insurance policies. The insurance proceeds shall be paid to and held by the Association.

5.8.1 Bids: Whenever restoration is to be performed pursuant to this Section, the Board shall obtain such bids from responsible licensed contractors to restore the damaged Improvement as the Board deems reasonable; and the Board, on behalf of the Association, shall contract with the contractor whose bid the Board deems to be the most reasonable.

5.8.2 Proceeds: The costs of restoration of the damaged Improvement shall be funded pursuant to the provisions and in the priority established by this Section 5.8.2. A lower priority procedure shall be utilized only if the aggregate amount of funds then available pursuant to the procedures of higher priority are insufficient to restore the damaged Improvement. The following funds and procedures shall be utilized:

1. The first priority shall be any insurance proceeds paid to the Association under existing insurance policies.

2. The second priority shall be all Reserve Account funds designated for the repair or replacement of the capital Improvement(s) which has been damaged.

3. The third priority shall be funds raised by a Special Assessment against all Owners levied by the Board.

5.9 DAMAGE OR DESTRUCTION: If all or any portion of a Building or Parcel, other than Common Area, is damaged by fire or other casualty, the Owner of the Improvement shall either (i) restore the damaged Improvements or (ii) remove all damaged Improvements, including foundations, and leave the Parcel in a clean and safe condition. Any restoration under clause (i) preceding must be performed so that the Improvements are in substantially the same condition in which they existed prior to the damage, unless the Owner complies with the provisions of Article XI. Unless extended by the Board, the Owner must commence such work within one hundred eighty (180) days after the damage occurs and must complete the work within one (1) year thereafter.

5.10 CONDEMNATION OF COMMON AREA: If all or any portion of the Common Area is taken for any public or quasi-public use under any statute, by right of eminent domain or by purchase in lieu of eminent domain, the entire award shall be deposited into the Current Operation Account until distributed. The Association shall distribute such funds equally to all Owners and shall represent the interests of all Owners.

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ARTICLE VI
FUNDS AND ASSESSMENTS

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6.1 COVENANTS TO PAY: Declarant and each Owner covenant and agree to pay to the Association the assessments and any Additional Charges levied pursuant to this Article VI.

6.1.1 Liability for Payment: The obligation to pay assessments shall run with the land so that each successive record Owner of a Parcel shall in turn be liable to pay all such assessments. No Owner may waive or otherwise escape personal liability for assessments or release the Owner's Parcel from the liens and charges hereof by non-use of the Common Area, abandonment of the Parcel or any other attempt to renounce rights in the Common Area or the facilities or services within the Project. Each assessment shall constitute a separate assessment and shall also be a separate, distinct and personal obligation of the Owner of the Parcel at the time when the assessment was levied and shall bind the Owner's heirs, devisees, personal representatives and assigns. Any assessment not paid when due is delinquent. The personal obligation of an Owner for delinquent assessments shall not pass to a successive Owner unless

the personal obligation is expressly assumed by the successive Owner. No such assumption of personal liability by a successor Owner (including a contract purchaser under an installment land contract) shall relieve any Owner from personal liability for delinquent assessments. After an Owner transfers fee title of record to a Parcel, the Owner shall not be liable for any charge thereafter levied against that Parcel.

6.1.2 Funds Held in Trust: The assessments collected by the Association shall be held by the Association for and on behalf of each Owner and shall be used solely for the operation, care and maintenance of the Project as provided in this Declaration.

6.1.3 Offsets: No offsets against any assessment shall be permitted for any reason, including, without limitation, any claim that the Association is not properly discharging its duties.

6.2 REGULAR ASSESSMENTS:

6.2.1 Payment of Regular Assessments: Regular Assessments for each fiscal year shall be established when the Board approves the Budget for that fiscal year. Regular Assessments shall be levied on a fiscal year basis; however, each Owner shall be entitled to pay the Regular Assessment in twelve (12) equal monthly installments, one installment payable on the first day of each calendar month during the fiscal year, as long as the Owner is not delinquent in the payment of any monthly installment. If an Owner fails to pay any monthly installment by the sixtieth (60th) day after the date the installment was due, the Board may terminate that Owner's right to pay the Regular Assessment in monthly installments and declare the then unpaid balance of the Regular Assessment for that year immediately due and payable. Regular Assessments shall commence for all Parcels on the first day of the first month following the month in which the first Parcel is conveyed to an Owner and may commence prior to that date at the option of Declarant.

6.2.2 Allocation of Regular Assessments: The total amount of the Association's anticipated revenue attributable to Regular Assessments as reflected in the Budget for that fiscal year shall be allocated equally among the Parcels.

6.2.3 Non-Waiver of Assessments: If before the expiration of any fiscal year the Association fails to fix Regular Assessments for the next fiscal year, the Regular Assessment established for the preceding year shall continue until a new Regular Assessment is fixed.

6.3 SPECIAL ASSESSMENTS: Special Assessments may be levied in addition to Regular Assessments for (i) constructing capital Improvements, (ii) correcting an inadequacy in the Current Operation Account, (iii) defraying, in whole or in part, the cost of any construction, reconstruction, unexpected repair or replacement of Improvements in the Common Area, or (iv) paying for such other matters as the Board may deem appropriate for the Project. Special Assessments shall be levied in the same manner as Regular Assessments.

6.4 REIMBURSEMENT ASSESSMENTS: The Association shall levy a Reimbursement Assessment against an Owner to (a) reimburse the Association for the costs of repairing damage caused by that Owner or that Owner's Invitee or (b) if a failure to comply with the Project Documents has resulted in (i) an expenditure of monies, including attorneys' fees, by

the Association to bring the Owner or the Owner's Parcel or Improvements into compliance or (ii) the imposition of a fine or penalty. A Reimbursement Assessment shall be due and payable to the Association when levied. A Reimbursement Assessment shall not be levied by the Association until Notice and Hearing has been given in accordance with the Bylaws.

6.5 ACCOUNTS:

6.5.1 Types of Accounts: Assessments collected by the Association shall be deposited into at least two (2) separate accounts with a responsible financial institution, which accounts shall be clearly designated as (i) the Current Operation Account and (ii) the Reserve Account. The Board shall deposit those portions of the assessments collected for current maintenance and operation into the Current Operation Account and shall deposit those portions of the assessments collected as reserves for replacement and deferred maintenance of major components which the Association is obligated to repair, restore, replace or maintain into the Reserve Account.

6.5.2 Reserve Account: The Association shall not expend funds from the Reserve Account for any purpose other than the maintenance, repair or replacement of the Common Area.

6.5.3 Current Operation Account: All other costs properly payable by the Association shall be paid from the Current Operation Account.

6.6 BUDGET, FINANCIAL STATEMENTS, REPORTS AND STUDIES:

6.6.1 Preparation and Distribution of Budget: The Board shall annually prepare, adopt and distribute a Budget of the estimated revenues and expenses on an accrual basis. The Budget shall also set forth the current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the Common Area required to be maintained by the Association.

6.6.2 Annual Report: The Board shall annually prepare and distribute an income and expense statement and summaries of such other financial accounting information as shall be prepared for the Association.

6.6.3 Notice of Increased Assessments: The Board shall provide notice to the Owners of any increase in Regular Assessments or the levy of any Special Assessments within fifteen (15) days after the adoption of a resolution establishing the increased Regular Assessment or levying the Special Assessment.

6.6.4 Statement of Outstanding Charges: Within ten (10) days of a written request by an Owner, the Association shall provide a written statement to the Owner which sets forth the amounts of delinquent assessments, penalties, attorneys' fees and other charges against that Owner's Parcel. A charge for the statement may be made by the Association, not to exceed the reasonable costs of preparation and reproduction of the statement.

6.7 ENFORCEMENT OF ASSESSMENTS:

6.7.1 Procedures: In addition to all other remedies provided by law, the Association, or its authorized representative, may enforce the obligations of the Owners to pay each assessment provided for in this Declaration in any manner provided by law or by either or both of the following procedures:

(a) By Suit: The Association may commence and maintain a suit at law against any Owner personally obligated to pay a delinquent assessment. The suit shall be maintained in the name of the Association. Any judgment rendered in any action shall include the amount of the delinquency, and such additional costs, fees, charges and expenditures ("Additional Charges") and any other amounts as the court may award. A proceeding to recover a judgment for unpaid assessments may be maintained without the necessity of foreclosing or waiving the lien established herein.

(b) By Lien: The Association or a trustee nominated by the Association may commence and maintain proceedings to establish and/or foreclose assessment liens. No action shall be brought to foreclose a lien until the lien is created by recording a Notice of Delinquent Assessment ("Notice"). Prior to recording a Notice, the Association shall: (i) notify the affected Owner in writing by certified mail of the fee and penalty procedures of the Association; (ii) provide an itemized statement of the charges owed by the Owner, including items on the statement which indicate the principal owed, any late charges, the method of calculation, and attorneys' fees; and (iii) describe the collection practices used by the Association, including the right of the Association to recover reasonable costs of collection. The Notice must be authorized by the Board, signed by an authorized agent and recorded in the Official Records of the County. The Notice shall state the amount of the delinquent assessment(s), the Additional Charges incurred to date, a legal description of the Parcel, the name(s) of the record Owner(s) thereof and the name and address of the trustee, if any, authorized by the Association to enforce the lien by sale and shall be signed by the person authorized to do so by the Board, or if no one is specifically designated, by the President or Chief Financial Officer. No later than ten (10) days after recordation of the Notice, copies of the Notice shall be mailed to all record owners of the Parcel in the manner set forth in Section 2924b of the California Civil Code. After the expiration of thirty (30) days following the recording of a Notice, the lien may be foreclosed as provided in Section 1367 of the Civil Code of the State of California.

6.7.2 Additional Charges: In addition to any other amounts due or any other relief or remedy obtained against an Owner who is delinquent in the payment of any assessments, each Owner agrees to pay such Additional Charges as the Association may incur or levy in collecting the monies due and delinquent from that Owner. All Additional Charges shall be included in any judgment in any suit or action brought to enforce collection of delinquent assessments or may be levied against a Parcel as a Reimbursement Assessment. Additional Charges shall include, but not be limited to, the following:

(a) Attorneys' Fees: Reasonable attorneys' fees and costs incurred in the event an attorney(s) is employed to collect any assessment or sum due, whether by suit or otherwise;

(b) Late Charges: A late charge in an amount to be fixed by the Board in accordance with the then current laws of the State of California to compensate the Association for additional collection costs incurred in the event any assessment or other sum is not paid when due or within any "grace" period established by law;

(c) Costs of Suit: Costs of suit and court costs incurred as are allowed by the court;

(d) Interest: Interest on the delinquent assessment and Additional Charges at a rate fixed by the Board in accordance with the then current laws of the State of California; and

(e) Other: Any such other additional costs that the Association may incur in the process of collecting delinquent assessments or sums.

6.7.3 Satisfaction of Lien: All amounts paid by an Owner toward a delinquent assessment shall be credited first to reduce the principal amount of the debt. Upon payment or other satisfaction of a delinquent assessment for which a Notice was recorded, the Association shall record a certificate stating the satisfaction and release of the assessment lien.

6.7.4 Lien Eliminated By Foreclosure: If the Association has recorded a Notice of Delinquent Assessment and the lien is eliminated as a result of a foreclosure of a Mortgage or a transfer pursuant to the remedies provided in the Mortgage, the new Owner of the Parcel shall pay to the Association a pro-rata share of the Regular Assessment for each month remaining in the Association's fiscal year after the date of the foreclosure or transfer pursuant to the remedies provided in the Mortgage.

6.8 SUBORDINATION OF LIEN: Notwithstanding any provision to the contrary, the liens for assessments created pursuant to this Declaration shall be subject and subordinate to and shall not affect the rights of the holder of a First Mortgage made in good faith and for value. Upon the foreclosure of any First Mortgage on a Parcel, any lien for assessments which became due prior to such foreclosure shall be extinguished; provided, however, that after such foreclosure there shall be a lien on the interest of the purchaser at the foreclosure sale to secure all assessments, whether Regular or Special, charged to such Parcel after the date of such foreclosure sale, which lien shall have the same effect and shall be enforced in the same manner as provided herein. For purposes of this Section, a Mortgage may be given in good faith or for value even though the Mortgagee has constructive or actual knowledge of the assessment lien provisions of this Declaration.

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ARTICLE VII
MEMBERSHIP IN AND DUTIES OF THE ASSOCIATION

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7.1 THE ORGANIZATION: The Association is a nonprofit mutual benefit corporation. Its affairs shall be governed by and it shall have the powers set forth in the Project Documents.

7.2 MEMBERSHIP: Each Owner (including Declarant for so long as Declarant is an Owner), by virtue of being an Owner, shall be a Member of the Association. No other person shall be accepted as a Member. Association membership is appurtenant to and may not be separated from the ownership of a Parcel. Membership shall terminate upon termination of Parcel ownership. Ownership of a Parcel shall be the sole qualification for Association membership. Membership shall not be transferred, pledged or alienated in any way except upon transfer of title to the Owner's Parcel (and then only to the transferee of title to such Parcel). Any attempt to make a prohibited transfer is void. Membership shall not be related to the use or non-use of the Common Area and may not be renounced. The rights, duties, privileges and obligations of all Members shall be as provided in the Project Documents.

7.3 VOTING: Any action required by law or by the Project Documents to be approved by the Owners, the Members or each class of Members shall be approved, if at all, in accordance with the procedures set forth in the Bylaws.

7.4 RULES: The Board may propose, adopt, amend and repeal Rules appropriate for the management of the Project, which are consistent with the Project Documents. The Rules may also establish architectural controls and may govern the use of the Common Area by Owners or their Invitees. After adoption, a copy of the Rules shall be furnished to each Owner. Owners shall be responsible for distributing the Rules to their tenants.

7.5 TRANSFERS OF COMMON AREA: Subject to any applicable provision in the Bylaws, the Board shall have the power and right in the name of the Association and all of the Owners as their attorneys-in-fact to grant, convey, dedicate, mortgage, or otherwise transfer to any Owner or other person or entity, fee title, easements, exclusive use easements, security rights or other rights or licenses in, on, over or under the Common Area that, in the sole discretion of the Board, are in the best interests of the Association and its Members. Notwithstanding anything herein to the contrary, in no event shall the Board take any action authorized hereunder that would permanently and unreasonably interfere with the use, occupancy and enjoyment by any Owner of that Owner's Parcel without the prior written consent of that Owner.

7.6 INSURANCE: The Board shall make every reasonable effort to obtain and maintain the insurance policies as provided in this Section. If the Board is unable to purchase a policy or if the Board believes that the cost of the policy is unreasonable, the Board shall call a special meeting of Members to determine what action to take. The Board shall comply with any resolution concerning insurance coverage adopted at such a meeting.

7.6.1 General Provisions and Limitations: All insurance policies shall be subject to and, where applicable, shall contain the following provisions and limitations:

(a) Underwriter: All policies (except earthquake insurance) shall be written with a company legally qualified to do business in the State of California and (i) holding a "B" or better general policyholder's rating and a "6" or better financial performance index rating as established by Best's Insurance Reports, (ii) reinsured by a company described in (i), above, or (iii) if such a company is not available, the best rating possible or its equivalent.

(b) Named Insured: Unless otherwise provided in this Section, the named insured shall be the Association or its authorized representative, as a trustee for the Owners. However, all policies shall be for the benefit of Owners and their Mortgagees, as their interests may appear.

(c) Authority to Negotiate: Exclusive authority to adjust losses under policies obtained by the Association shall be vested in the Board; provided, however, that no Mortgagee having an interest in such losses may be prohibited from participating in any settlement negotiations related thereto.

(d) Contribution: In no event shall the insurance coverage obtained and maintained by the Association be brought into contribution with insurance purchased by Owners or their Mortgagees.

(e) General Provisions: To the extent possible, the Board shall make every reasonable effort to secure insurance policies providing for the following:

(i) A waiver of subrogation by the insurer as to any claims against the Board, the manager, the Owners and their respective servants, agents and guests;

(ii) That the policy will be primary, even if an Owner has other insurance which covers the same loss;

(iii) That no policy may be cancelled or substantially modified without at least ten (10) days' prior written notice to the Association and to each First Mortgagee listed as a scheduled holder;

(iv) An agreed amount endorsement, if the policy contains a coinsurance clause;

(v) A guaranteed replacement cost or replacement cost endorsement; and

(vi) An inflation guard endorsement.

(f) Term: The period of each policy shall not exceed three (3) years. Any policy for a term greater than one (1) year must permit short rate cancellation by the insureds.

(g) Deductible: The policy may contain a reasonable deductible and the amount of the deductible shall be added to the face amount of the policy in determining whether the insurance equals replacement cost.

7.6.2 Types of Coverage: Unless the Association determines otherwise pursuant to Section 7.6, the Board shall obtain at least the following insurance policies in the amounts specified:

(a) Property Insurance: A Special Form or "All-Risk" policy of property insurance for all insurable Common Area Improvements, including fixtures and building service equipment, against loss or damage by fire or other casualty, in an amount equal to the full replacement cost (without respect to depreciation) of the Common Area, and exclusive of land, foundations, excavation and other items normally excluded from coverage. A replacement cost endorsement shall be part of the policy.

(b) Liability Insurance: A combined single limit policy of liability insurance in an amount not less than Three Million Dollars ($3,000,000.00) covering the Common Area and all damage or injury caused by the negligence of the Association, the Board or any of its agents or the Owners against any liability to the public or to any Owner incident to the use of or resulting from any accident or intentional or unintentional act of an Owner or a third party occurring in or about any Common Area. If available, each policy shall contain a cross liability endorsement in which the rights of the named insured shall not be prejudiced with respect to any action by one named insured against another named insured.

(c) Worker's Compensation: Worker's compensation insurance to the extent necessary to comply with all applicable laws of the State of California or the regulations of any governmental body or authority having jurisdiction over the Project.

(d) Other Insurance: Other types of insurance as the Board determines to be necessary to fully protect the interests of the Owners.

(e) Insurance by Owner: Each Owner, at that Owner's sole cost and expense, shall obtain insurance coverage which the Owner considers necessary or desirable to protect that Owner and that Owner's Parcel, Building and personal property; provided, however, that no Owner shall be entitled to maintain insurance coverage in a manner so as to decrease the amount which the Association, on behalf of all Owners and their Mortgagees, may realize under any insurance policy which the Association may have in effect at any time.

7.6.3 Annual Review: The Board shall review the adequacy of all insurance, including the amount of liability coverage and the amount of property damage coverage, at least once every year. At least once every three years, the review shall include a replacement cost appraisal of all insurable Common Area Improvements without respect to depreciation. The Board shall adjust the policies to provide the amounts and types of coverage and protection that are customarily carried by prudent owners of similar property in the area in which the Project is situated.

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ARTICLE VIII
DEVELOPMENT RIGHTS

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8.1 LIMITATIONS OF RESTRICTIONS: Declarant is undertaking the work of developing Parcels and other Improvements within the Project. The completion of the development and the marketing, sale, lease, rental and/or other disposition of the Parcels is essential to the establishment and welfare of the Project. In order that the work may be completed and the Project established as rapidly as possible, nothing in this Declaration shall be interpreted to deny Declarant the rights set forth in this Article.

8.2 RIGHTS OF ACCESS AND COMPLETION OF CONSTRUCTION: Until the fifth (5th) anniversary of the commencement of Regular Assessments, Declarant, its contractors and subcontractors shall have the right to: (i) obtain reasonable access over and across the Common Area and/or do within any Parcel owned or controlled by it whatever is reasonably necessary or advisable in connection with the completion of the Project; and (ii) erect, construct and maintain on the Common Area and/or within any Parcel owned or controlled by it such structures as may be reasonably necessary for the conduct of its business to complete the work, establish the Project and dispose of the Project in parcels by sale, lease, rental or otherwise. Each Owner acknowledges that: (a) the construction of the Project may occur over an extended period of time; (b) the Owner's quiet use and enjoyment of the Owner's Parcel may be disturbed as a result of the noise, dust, vibrations and other nuisances associated with construction activities; and (c) the nuisances will continue until the completion of the construction of the entire Project.

8.3 APPEARANCE OF PROJECT: Declarant shall not be prevented from changing the exterior appearance of Buildings, landscaping or any other matter directly or indirectly connected with the Project in any manner deemed desirable by Declarant, if Declarant obtains all governmental consents required by law.

8.4 MARKETING RIGHTS: Declarant shall have the right to: (i) maintain sales and construction trailers, leasing offices, rental offices, storage areas, parking lots and related facilities in any Parcels owned or controlled by Declarant or Common Area as are necessary or reasonable, in the opinion of Declarant, for the construction, sale, lease, rental or other disposition of the Parcels; (ii) make reasonable use of the Common Area for the construction, sale, lease, rental or other disposition of Parcels; and (iii) conduct its business of disposing of Parcels by sale, lease, rental or otherwise.

8.5 AMENDMENT: The provisions of this Article may not be amended without the written consent of Declarant.

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ARTICLE IX
RIGHTS OF MORTGAGEES

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9.1 CONFLICT: Notwithstanding any contrary provision in the Project Documents, the provisions of this Article shall control with respect to the rights and obligations of Mortgagees specified herein.

9.2 INSPECTION OF BOOKS AND RECORDS: Upon request, any Owner or First Mortgagee shall be entitled to inspect and copy the books, records and financial statements of the Association, the Project Documents and any amendments thereto during normal business hours.

9.3 FINANCIAL STATEMENTS FOR MORTGAGEES: If an audited financial statement for the immediately preceding fiscal year is available, the Association shall provide a copy to any Mortgagee who makes a written request for it. If an audited financial statement is not available, any Mortgagee who desires to have an audited financial statement of the Association may cause an audited financial statement to be prepared at the Mortgagee's expense.

The audited financial statement shall be available within one hundred twenty (120) days of the end of the Association's fiscal year.

9.4 MORTGAGE PROTECTION: A breach of any of the conditions or the enforcement of any lien provisions contained in this Declaration shall not defeat or render invalid the lien of any First Mortgage made in good faith and for value as to any Parcel in the Project; but all of the covenants, conditions and restrictions contained in this Declaration shall be binding upon and effective against any Owner of a Parcel if the Parcel is acquired by foreclosure, trustee's sale or otherwise.

ARTICLE X
AMENDMENT AND ENFORCEMENT

10.1 AMENDMENTS: Prior to the conveyance of the first Parcel to an Owner other than a Declarant, any Project Document may be amended by Declarant alone. After the conveyance of the first Parcel, the Project Documents may be amended by the approval of each class of Members; provided however, that no provision of this Declaration which provides for a vote of more than fifty-one percent (51%) may be amended by a vote less than the percentage specified in the Section to be amended. Any amendment to this Declaration shall be effective upon the recordation in the Official Records of the County of an instrument executed by the President and Secretary of the Association which sets forth the terms of the amendment and a statement which certifies that the required percentage of Members has approved the amendment.

10.2 ENFORCEMENT:

10.2.1 Rights to Enforce: Subject to the provisions of Section 10.4, Declarant, the Association and/or any Owner shall have the power to enforce the provisions of the Project Documents in any manner provided by law or in equity and in any manner provided in this Declaration. In addition to instituting appropriate legal action, the Association may temporarily suspend an Owner's voting rights and/or levy a fine against an Owner in a standard amount to be determined by the Board from time to time. No determination of whether a violation has occurred may be made until Notice and Hearing has been provided to the Owner pursuant to the Bylaws. If legal action is instituted by the Association, any judgment rendered shall include all appropriate Additional Charges. Notwithstanding anything to the contrary contained in this Declaration, the Association has no power to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of the Owner's Parcel, including access thereto over and across the Common Area, due to the Owner's failure to comply with the provisions of the Project Documents unless the loss or forfeiture is the result of the judgment of a court, an arbitration decision, a foreclosure proceeding or a sale conducted pursuant to this Declaration. The provisions of this Declaration are equitable servitudes, enforceable by any Owner or the Association against the Association or any other Owner in the Project. Except as otherwise provided, Declarant, the Association or any Owner(s) has the right to enforce, in any manner permitted by law or in equity, any and all of the provisions of the Project Documents, including any decision made by the Association, upon the Owners, the Association or upon any property in the Project.

10.2.2 Violation of Law: The Association may treat any Owner's violation of any state, municipal or local law, ordinance or regulation, which creates a nuisance to the other Owners in the Project or to the Association, in the same manner as a violation of the Project Documents by making such violation subject to any or all of the enforcement procedures set forth in this Declaration, as long as the Association complies with the Notice and Hearing requirements.

10.2.3 Remedies Cumulative: Each remedy provided in this Declaration is cumulative and not exclusive.

10.2.4 Nonwaiver: The failure to enforce the provisions of any covenant, condition or restriction contained in this Declaration will not constitute a waiver of any right to enforce any such provisions or any other provisions of this Declaration.

10.3 DISPUTES BETWEEN OWNERS AND DECLARANT: Before any Owner initiates arbitration in accordance with the provisions of Section 10.4, the Owner and Declarant shall first attempt, in good faith, to resolve the dispute informally by negotiation. Either party may initiate negotiations by writing a letter to the other party describing the nature of the dispute and any proposals to resolve the dispute. The letter shall be sent by certified mail and shall be deemed received three (3) days after its deposit in the U.S. Mail. The recipient shall respond, within ten (10) days of receipt of the letter, either with a letter that addresses the dispute and its proposed resolution or by requesting a meeting of the parties. The meeting(s) shall be held at a mutually acceptable location. After at least one exchange of letters or at least one meeting of the parties, should either party honestly believe that the dispute cannot be resolved informally, then that party shall so notify the other party either personally at a meeting or in writing. At this point, either party may initiate arbitration as provided herein. Should either party refuse to participate in the negotiations, then upon expiration of the ten (10) day initial response time, the party who sent the initiating letter may commence arbitration proceedings in accordance with the provisions of Section 10.4.

If the dispute involves an alleged problem with materials, design or construction of any portion of the Project, then Declarant shall have the right to inspect the alleged problem before any such meeting or any written response is required from Declarant. If Declarant elects to attempt to cure the alleged problem, Claimant shall allow Declarant to perform whatever work is deemed necessary by Declarant during normal working hours. Declarant agrees to begin its curative work within thirty (30) days after the first meeting between the parties. If the dispute remains unresolved after the good faith attempt to negotiate has been concluded or if the curative action performed by Declarant is not undertaken as promised or does not resolve the alleged problem, then either party may initiate arbitration as provided herein in accordance with the provisions of Section 10.4.

10.4 MANDATORY BINDING ARBITRATION: Any disputes, claims, issues or controversies between any Owner and Declarant or between the Association and Declarant regarding any matters that arise out of or are in any way related to the Project, the relationship between Owner and Declarant or the relationship between the Association and Declarant, whether contractual or tort, including, but not limited to, the purchase, sale, condition, design, construction or materials used in construction of any portion of the Project or the agreement

between Declarant and any Owner to purchase a Parcel or any related agreement, including, but not limited to warranties, disclosures, or alleged construction defects (latent or patent), (collectively "disputes") except as otherwise set forth herein, shall be resolved through the procedures established in this Declaration. The party who has a dispute with Declarant is referred to as the "Claimant" in this Section. If negotiations fail then all such disputes shall be resolved by neutral, binding arbitration and not by any court action except as provided for judicial review of arbitration proceedings by California law. Except as otherwise set forth herein, the arbitration proceedings shall be conducted by and in accordance with the rules of Judicial Arbitration and Mediation Services, Inc. (JAMS/Endispute) or any successor thereto and, except for procedural issues, the arbitration proceedings, the ultimate decisions of the arbitrator, and the arbitrator shall be subject to and bound by existing California case and statutory law including, but not limited, to applicable statutes of limitation such as California Code of Civil Procedure Sections 337, 337.15(a), 338(d), 340, and 340(3). Nothing herein shall toll, extend, shorten or otherwise affect any applicable statute of limitation. Should JAMS/Endispute cease to exist, as such, then all references herein to JAMS/Endispute shall be deemed to refer to its successor or, if none, to the American Arbitration Association (in which case its commercial arbitration rules shall be used).

10.4.1 Selection and Timing: The matter shall be heard by one (1) arbitrator. Within five (5) business days of receipt of a written request from one of the parties to arbitrate a claim, JAMS/Endispute shall provide a list of five (5) qualified names to both parties. The term "qualified" shall mean a retired judge (or if none is available then an attorney, licensed to practice in California having at least fifteen (15) years of experience) with a strong emphasis on the laws governing real estate matters, especially those dealing with real estate development and construction. Each side will strike one name (based on reasons listed in CCP Section 1297.121 or 1297.124 or for no reason at all) until one is left (which shall be the appointed arbitrator), unless the parties sooner agree. The parties shall have no more than three (3) business days for the striking of each name. The initiating party shall be the first party to strike a name and submit it to the other party.

10.4.2 Discovery: Except as limited herein, each party shall be entitled to discovery to the extent provided in Section 1283.05 of the Code of Civil Procedure or any successor statute thereto. Each party shall have the right to depose the expert witnesses of the other party and to conduct two other depositions of its choice without the need to obtain an order of the arbitrator. All other depositions, document requests, requests for admissions and similar discovery shall be conducted under the direction and supervision of the arbitrator. No party shall be entitled to bring any motion to exclude or limit the evidence to be submitted to the arbitrator. No party shall have any other discovery rights except as authorized by the arbitrator for good cause.

10.4.3 Full Disclosure: Both parties shall, in good faith, make a full disclosure of all issues and evidence to the other party prior to the hearing. Any evidence or information that the arbitrator determines was unreasonably withheld shall be inadmissible by the party which withheld it. The initiating party shall be the first to disclose all of the following, in writing, to the other party and to the arbitrator an outline of the issues and its position on each such issue; a list of all witnesses it intends to call; and copies of all written reports and other documentary evidence whether or not written or contributed to by its retained experts (collectively "outline").

The initiating party shall submit its outline to the other party and the arbitrator within thirty (30) days of the final selection of the arbitrator. The responding party shall submit its written response as directed by the arbitrator. If the dispute involves alleged construction defects, then the Claimant shall be the first party to submit its written outline, list of witness, and reports/documents and shall include a detailed description of the nature and scope of the alleged defect(s), its proposal for repair or restoration any repairs made to date and an estimate of the cost of repair/restoration together with the calculations used to derive the estimate.

10.4.4 Hearing: The hearing shall be held in the County. The hearing shall commence within ninety (90) days of the receipt by the parties of the list of names of proposed arbitrators from JAMS/Endispute unless this date is determined to be infeasible by the arbitrator in which case the arbitrator shall select the next available date for the hearing. The arbitration shall be conducted as informally as possible. Neither the rules of admissibility of evidence nor the Evidence Code of the State of California shall be applicable except for Evidence Code Section 1152 et seq. which shall be applicable for the purpose of excluding from evidence offers, compromises, and settlement proposals, unless both parties consent to their admission. The arbitrator shall be the sole judge of the admissibility of and the probative value of all evidence offered and is authorized to provide all legally recognized remedies whether in law or equity. Attorneys are not required and either party may elect to be represented by someone other than a licensed attorney. Cost of an interpreter shall be born by the party requiring the services of the interpreter in order to be understood by the arbitrator. Except as set forth herein, the arbitration shall be conducted pursuant to Title 9 of the California Code of Civil Procedure, Section 1280 et seq.

10.4.5 Decision: The decision of the arbitrator shall be binding on the parties and may be entered as a judgment in any court of the State of California that has jurisdiction and venue. In no event shall the award of the arbitrator include any component for punitive or exemplary damages. The arbitrator shall cause a complete record of all proceedings to be prepared similar to those kept in the Superior Court; shall try all issues of both fact and law; and shall issue a written statement of decision, such as that described in Code of Civil Procedure Section 643 (or its successor) which shall specify the facts and law relied upon in reaching his/her decision within twenty (20) days after the close of testimony.

10.4.6 Fees and Costs: Notwithstanding any statute to the contrary, including Code of Civil Procedure Section 645.1, each party shall bear their own costs of the hearing, including attorneys' fees. No attorneys fees or costs shall be awarded to either party but each party shall be solely responsible for its own attorneys' fees and costs, including, expert witnesses, consultants, reports, and similar costs. The total cost of the arbitration proceedings, including the advanced initiation fees and other fees of JAMS/Endispute and any related costs and fees incurred by JAMS/Endispute (such as experts and consultants retained by it) shall be borne as determined by the arbitrator, regardless of the outcome

10.4.7 Reference Alternative: To the extent that either party may be otherwise entitled to bring an action at law pursuant to California Code of Civil Procedure Section 1298.7, or if a court of competent jurisdiction determines that the dispute resolution set forth herein is void or unenforceable, the entire matter shall proceed as one of judicial reference pursuant to Code of Civil Procedure Section 638 et seq. The rules of procedure set forth herein shall be the

rules of procedure for the reference proceeding, unless precluded by law. JAMS/Endispute shall hear, try and decide all issues of both fact and law and make any required findings of facts and, if applicable, conclusions of law and report these along with the judgment to the supervising court within twenty (20) days after the close of testimony.

The parties shall cooperate and diligently perform such acts as may be necessary to carry out the purposes of this Section.

ARTICLE XI
ARCHITECTURAL AND LANDSCAPING CONTROL

11.1 APPLICABILITY:

11.1.1 Generally: Except as otherwise provided in this Declaration, proposals for Alterations (which includes all landscaping, except as provided in 11.1.2, below) are subject to the provisions of this Article and may not be made until approved in accordance with the provisions of this Article.

11.1.2 Exceptions: The provisions of this Declaration requiring architectural approvals do not apply to repainting or refinishing any Improvement in the same color, hue, intensity, tone, and shade or repairing or replacing any Improvement with the same materials. The provisions of this Declaration requiring architectural approvals include planting or removing landscaping except for landscaping which at maturity will not be visible from other Parcels. The Architectural Standards may establish additional exceptions from time to time.

11.1.3 Declarant Exemption: The provisions of this Declaration requiring architectural approvals shall not apply to the original construction of any Improvements on a Parcel by Declarant, its agents, contractors or employees. The provisions of this paragraph may not be amended without the consent of Declarant until all of the Parcels in the Project owned by Declarant have been conveyed.

11.1.4 Relationship to Governmental Approvals: Proposals for Alterations may also be subject to review and approval by state or local governmental entities or agencies. Satisfying the provisions of this Declaration does not automatically satisfy any requirement for governmental approval, permitting or inspection. All approvals, permits and inspections which are required under local, state or federal law for any proposed Alteration are the responsibility of the Owner and must be obtained by the Owner in addition to the approvals required by this Declaration.

11.2 MEMBERS AND VOTING:

11.2.1 Initial Committee: The Architectural Committee ("Committee") shall initially consist of three (3) members. Declarant shall appoint all of the original members of the Committee and all replacements until the tenth (10th) anniversary of commencement of Regular Assessments. After the tenth (10th) anniversary of commencement of Regular Assessments, the terms of the members of the Committee appointed by Declarant shall terminate.

11.2.2 Appointment by Owners: Commencing upon the tenth (10th) anniversary of commencement of Regular Assessments, the Committee shall consist of up to eight (8) members, one member appointed by the Owner of each Parcel (if an Owner owns more than one (1) Parcel, then that Owner shall appoint one (1) member, but that member shall have one (1) vote for each Parcel owned). All members will serve until they resign or are replaced by the Owner that appointed them. All decisions of the Committee shall be made by majority vote, based upon one (1) vote for each Parcel which that member represents; provided, however, no member shall cast a vote with respect to a Parcel which is the subject of the application.

11.3 DUTIES AND POWERS:

11.3.1 Duties: The Committee shall review and approve, conditionally approve, or deny all plans, submittals, applications and requests made or tendered to it by Owners or their agents, pursuant to the provisions of this Declaration. In connection therewith, the Committee may investigate and consider the architecture, design, layout, landscaping, and other features of the proposed Improvements.

11.3.2 Architectural Standards: The Committee, from time to time and in its sole discretion, may adopt architectural rules, regulations and guidelines ("Architectural Standards"). The Architectural Standards may impose specific requirements on individual Parcels if those requirements are reasonable in light of specific Parcel topography, visibility or other factors. The Architectural Standards will be effective when they are adopted by the Committee. The Architectural Standards shall interpret and implement the provisions of this Declaration by setting forth the standards and procedures for architectural review and guidelines for architectural design, placement of buildings, color schemes, exterior finishes and materials, landscaping, fences, and similar features which may be used in the Project; provided, however, that the Architectural Standards may not be in derogation of the minimum standards established by this Declaration. The Architectural Standards may include a schedule of fees for processing submittals (which shall not exceed the amount necessary to defray all costs incurred by the Committee in processing the submittals) and establish the time and manner in which such fees will be paid. The Architectural Standards will constitute Rules.

11.3.3 Powers: The Committee may adopt rules and regulations for the transaction of business, scheduling of meetings, conduct of meetings and related matters. The Committee may also adopt criteria, consistent with the purpose and intent of this Declaration to be used in making its determination to approve, conditionally approve or deny any matter submitted to it for decision.

11.3.4 Consultants: With the consent of the Board, the Committee may hire and the Association shall pay consulting architects, landscape architects, urban designers, engineers, inspectors, and/or attorneys in order to advise and assist the Committee in performing its duties.

11.4 APPLICATION FOR APPROVAL OF IMPROVEMENTS: Any Owner, except Declarant and its designated agents, who wants to perform any Alteration for which approval is required shall notify the Committee in writing of the nature of the proposed work and shall furnish such information as may be required by the Architectural Standards or reasonably requested by the Committee.

11.5 BASIS FOR APPROVAL OF IMPROVEMENTS: The Committee may approve the proposal only if the Committee determines that (i) the plans and specifications conform to this Declaration and to the Architectural Standards in effect at the time the proposal was submitted and (ii) the proposed Alteration will be consistent with the standards of the Project and the provisions of this Declaration as to harmony of exterior design, visibility with respect to existing structures and environment, and location with respect to topography and finished grade elevation.

11.6 FORM OF APPROVALS, CONDITIONAL APPROVALS AND DENIALS: All approvals, conditional approvals and denials must be in writing. Any denial of a proposal must state the reasons for the decision to be valid. Any proposal which has not been rejected in writing within sixty (60) days from the date of submission will be deemed approved.

11.7 WORK: Upon approval of the Committee, the Owner must diligently proceed with the commencement and completion of all work so approved. Completion of the-work approved must occur within one (1) year following the approval of the work unless the Architectural Committee grants an extension. This Section shall not be interpreted to extend any other time period imposed by this Declaration. If the Owner fails to complete the work within the required time period, the Committee may notify the Owner in writing of the non-compliance and shall proceed in accordance with the provisions of Section 11.9, below.

11.8 DETERMINATION OF COMPLIANCE: Any work performed, whether or not the Owner obtained proper approvals, may be inspected and a determination of compliance made as follows:

11.8.1 Notice of Completion: Upon the completion of any work performed by an Owner for which approval was required, the Owner must give written notice of completion to the Committee.

11.8.2 Inspection: Within sixty (60) days after the Committee's receipt of the Owner's notice of completion, or, if the Owner fails to give a written notice of completion to the Committee within the completion period specified in Section 11.7, above, a designee of the Committee may inspect the work performed and determine whether it was performed and completed in substantial compliance with the approval granted. If the Committee finds that the work was not performed or completed in substantial compliance with the approval granted or if the Committee finds that the approval required was not obtained, the Committee shall notify the Owner in writing of the non-compliance. The notice shall specify the particulars of non-compliance and require the Owner to remedy the non-compliance.

11.9 FAILURE TO REMEDY THE NON-COMPLIANCE: If the Committee has determined that an Owner has not constructed an Improvement consistently with the specifications of the approval granted or within the time permitted for completion and if the Owner fails to remedy such non-compliance in accordance with the provisions of the notice of non-compliance, then after the expiration of thirty (30) days from the date of such notification, the Committee shall notify the Board, and the Board shall provide Notice and Hearing to consider the Owner's continuing non-compliance. At the Hearing, if the Board finds that there is no valid reason for the continuing non-compliance, the Board shall determine the estimated costs

of correcting it. The Board shall then require the Owner to remedy or remove the same within a period of not more than forty-five (45) days from the date of the Board's determination. If the Owner does not comply with the Board's ruling within such period or within any extension of such period as the Board, in its discretion, may grant, the Board may either remove the non-complying Improvement or remedy the non-compliance. The costs of such action shall be assessed against the Owner as a Reimbursement Assessment.

11.10 WAIVER: Approval of any plans, drawings or specifications for any work proposed, or for any other matter requiring approval shall not be deemed to constitute a waiver of any right to deny approval of any similar plan, drawing, specification or matter subsequently submitted for approval.

11.11 APPEAL OF DECISION OF COMMITTEE: This Section does not apply if the Board has dissolved the Committee or during the period of time that a majority of the Members of the Architectural Committee have been appointed by Declarant. If the Owner who applied or who the Committee determined should have applied for approval of an Alteration on a Parcel or Building disputes the jurisdiction or powers of the Committee or any requirement, rule, regulation or decision of the Committee applicable to the denial or conditional approval of the Owner's application (collectively referred to as "decision"), that Owner may appeal such decision to the Board. The Board shall notify the Owner of the time, date and place of a hearing to review the decision of the Committee. The notice shall be given at least fifteen (15) days prior to the date set for the hearing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after it has been deposited in the United States mail, first class, postage prepaid, addressed to the Owner at the address given by the Owner to the Board for the purpose of service of notices or to the address of the Owner's Parcel if no other address has been provided. After the hearing has taken place, the Board shall notify the Owner of its decision. The decision shall become effective not less than five (5) days after the date of the hearing. The determination of the Board shall be final.

11.12 NO LIABILITY: If members of the Architectural Committee have acted in good faith, neither the Committee nor any member will be liable to the Association or to any Owner for any damage, loss or prejudice suffered or claimed due to: (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective; (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings, and specifications; (c) the development of any property within the Project; or (d) the execution and filing of any estoppel certificate, whether or not the facts therein are correct.

11.13 EVIDENCE OF APPROVAL OR DISAPPROVAL: After a determination of compliance is made pursuant to Section 11.8, the Board may issue a written Notice of Architectural Determination. The Notice of Architectural Determination must be executed by any two (2) Directors and shall certify that as of the date of the Notice either (i) the work completed complies with the provisions of this Declaration and the approval(s) issued by the Architectural Committee ("Notice of Approval") or (ii) the work completed does not comply with the provisions of this Declaration or the approval(s) issued by the Architectural Committee ("Notice of Disapproval"). A Notice of Disapproval must also identify the particulars of the non-compliance. Any successor in interest of the Owner will be entitled to rely on a Notice of Architectural Determination with respect to the matters set forth. Each Owner must disclose to

the Owner's subsequent purchaser any Notice of Disapproval unless the Owner has a subsequently issued Notice of Approval which covers the same Alteration. The Notice of Architectural Determination will be conclusive as between the Association, the Architectural Committee, Declarant and all Owners and such persons deriving any interest through any of them. Any Owner may make a written request that the Board prepare and execute a Notice of Architectural Determination, and the Board must do so within sixty (60) days of its receipt of the request.

ARTICLE XII
MISCELLANEOUS PROVISIONS

12.1 TERM OF DECLARATION: This Declaration will continue for a term of fifty (50) years from its date of recordation. Thereafter, this Declaration will be automatically extended for successive periods of ten (10) years until two-thirds (2/3) of the Owners approve a termination of this Declaration.

12.2 CONSTRUCTION OF PROVISIONS: The provisions of this Declaration are to be liberally construed to effect its purpose of creating a uniform plan for the development and operation of a planned development pursuant to the provisions of the Davis-Stirling Common Interest Development Act, Section 1350 et seq. of the California Civil Code.

12.3 BINDING: This Declaration is for the benefit of and binding upon all Owners, their respective heirs, legatees, devisees, executors, administrators, guardians, conservators, successors, purchasers, tenants, encumbrancers, donees, grantees, mortgagees, lienors and assigns.

12.4 SEVERABILITY OF PROVISIONS: The provisions hereof shall be deemed independent and severable, and the invalidity or unenforceability of any one provision will not affect the validity or enforceability of any other provision hereof.

12.5 GENDER. NUMBER AND CAPTIONS: As used herein, the singular includes the plural and masculine pronouns include feminine pronouns, where appropriate. The title and captions of each paragraph hereof are not a part thereof and shall not affect the construction or interpretation of any part hereof.

12.6 REDISTRIBUTION OF PROJECT DOCUMENTS: Upon the resale of any Parcel by any Owner, the Owner must supply a copy of each of the Project Documents to the buyer of the Parcel.

12.7 EXHIBITS: All exhibits attached to this Declaration are incorporated by this reference as though fully set forth herein.

12.8 REQUIRED ACTIONS OF ASSOCIATION: The Association shall at all times take all reasonable actions necessary for the Association to comply with the terms of this Declaration or to otherwise carry out the intent of this Declaration.

12.9 SUCCESSOR STATUTES: Any reference in the Project documents to a statute will be deemed a reference to any amended or successor statute.

12.10 CONFLICT: In the event of a conflict, the provisions of this Declaration will prevail over the Bylaws and the Rules.

IN WITNESS WHEREOF, the undersigned has executed this Declaration on the 6th day of July, 2001.

DECLARANT: GREENVILLE INVESTORS L.P., a California limited partnership

By: /s/ W. A. Drummond
Name: W.A. DRUMMOND
Title: Vice President
Greenville Ventures, Inc.
General Partner

STATE OF CALIFORNIA
}ss.
COUNTY ALAMEDA

On July 6, 2001, before me, Stacey M. Fortner, Notary Public, personally appeared William A. Drummond, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity), and that by his signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

/s/ Stacey M. Fortner
Notary Public

STACEY M. FORTNER
COMMISSION # 1233595
NOTARY PUBLIC - CALIFORNIA
ALAMEDA COUNTY
MY COMM. EXPIRES AUG 31, 2003

EXHIBITS

A	Maintenance Plat - Association Maintained Areas
B-1	Maintenance Plat - Shared Maintenance Area
B-2	Maintenance Plat - Shared Maintenance Area

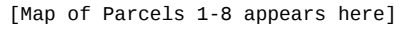

EXHIBIT A
ASSOCIATION MAINTAINED
AREAS
JMH WEISS INC.

DESCRIPTION TO ACCOMPANY
EXHIBIT A

The Association Maintained Areas shall consist of all landscape areas abutting the public right-of-way, all textured paving at the drive entries to the site, all under and above ground utilities and the hardscape and landscape areas designated on Exhibit A.

Refer to Exhibit A for area designations.

[Map of Parcels 1-3 appears here]

EXHIBIT B-1
SHARED MAINTENANCE
AREA
JMH WEISS INC.

[Map of Parcels 4-6 appears here]

EXHIBIT B-2
SHARED MAINTENANCE
AREA
JMH WEISS INC.

DESCRIPTION TO ACCOMPANY
EXHIBITS B-1 AND B-2

The shared maintenance areas include the hardscape, underground and above ground utilities in between buildings excluding all landscape islands, transformers and trash enclosures, which shall be the responsibility of the owner of the parcel on which they are located. The shared maintenance areas shall not include any hardscape, underground or above ground utilities within 5-feet of the buildings.

Refer to exhibits B-1 and B-2 for the area designations.

The following is a breakdown of the Shared Maintenance Areas

Shared Maintenance Area A

Parcel 1		50%
Parcel 3		50%

Shared Maintenance Area B

Parcel 1	-	25%
Parcel 2	-	50%
Parcel 3	-	25%

Shared Maintenance Area C

Parcel 4	-	50%
Parcel 6	-	50%

Shared Maintenance Area D

Parcel 4	-	25%
Parcel 5	-	50%
Parcel 6	-	25%

SUBORDINATION AND CONSENT

HOUSING CAPITAL COMPANY, a Minnesota partnership ("Lender") as Beneficiary under the deed of trust ("Deed of Trust") executed by GREENVILLE INVESTORS, L.P., a California limited partnership, and recorded on June 9, 2000, as Series No. 2000173764 in the Official Records of the County of Alameda, State of California, hereby subordinates the lien of the Deed of Trust to the lien of the Declaration of Covenants, Conditions and Restrictions of Pacific Corporate Center ("Declaration") to which this Subordination and Consent is attached to the same extent and with the same force and effect as though the Declaration had been executed and recorded prior to the execution and recordation of the Deed of Trust.

Dated: July 27, 2001

LENDER:

HOUSING CAPITAL COMPANY, A MINNESOTA PARTNERSHIP

BY: DFP Financial, Inc., a California partnership

ITS: Managing General Partner

/s/ Norma J. Avery
- ------------------

BY: Norma J. Avery

ITS: Vice President

STATE OF CALIFORNIA
ss.
COUNTY OF SAN MATEO

On July 27, 2001, before me, Carolyn R Shipley, a Notary Public, personally appeared Norma J. Avery, personally known to me (or 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 on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

/s/Carolyn R. Shipley

CAROLYN R. SHIPLEY
COMMISSION # 1256748
NOTARY PUBLIC - CALIFORNIA
SAN MATEO COUNTY
MY COMM. EXPIRES MAR 13, 2004

EXHIBIT H

NON-DISCLOSURE AGREEMENT

FFI Contact Name: _____ FFI Contact Phone:_____

FORMFACTOR, INC.
NON-DISCLOSURE AGREEMENT

(COMPANY)

This Non-Disclosure Agreement ("Agreement") dated as of _____ ("Effective Date"), is by and between FormFactor, Inc. ("FormFactor"), a Delaware corporation, having an office at 5666 La Ribera Street, Livermore, CA 94550, and

Name: , _____ having an office at

Street Address:_____,

City, State, Zip Code:_____, on its own behalf and on behalf of its parents, subsidiaries and affiliated companies (collectively "Recipient").

FormFactor desires to disclose, and Recipient desires to receive for its own internal evaluation, information relating to certain of FormFactor's technologies and business strategies, which information is deemed to be confidential, secret and/or proprietary to FormFactor, for the sole purpose of assisting in the determination of their mutual interest in a business relationship ("Purpose"). Accordingly, FormFactor and Recipient agree as follows:

1. CONFIDENTIAL INFORMATION.

1.1 "Confidential Information" shall mean:

(a) All information disclosed by FormFactor to Recipient whether such information is disclosed in written, graphic, electronic, oral or sample form; and

(b) All component specifications, component and contact structures, equipment designs, electronic configurations, manufacturing processes and methodologies, including any information which can be obtained by examination, testing, repair, reverse engineering and analysis of any hardware, or component part thereof comprising, relating to, or a part of a product manufactured or assembled with FormFactor's technology, notwithstanding the fact that the requirements for marking and designation referred to in Paragraph 2.1 have not been fulfilled.

1.2 Confidential Information shall not include information that Recipient can demonstrate, through extant, contemporaneously prepared, written records:

(a) Is or becomes part of the public domain through no fault or breach on the part of Recipient, any of its subsidiaries, affiliates or persons to whom Confidential Information is disclosed as permitted by this Agreement; or

(b) Is known to Recipient or any of its subsidiaries or affiliates prior to the disclosure by FormFactor; or

(c) Is subsequently rightfully obtained by Recipient or any of its subsidiaries or affiliates from a third party who has the legal right to disclose or transfer it to Recipient.

2. DISCLOSURE AND PROTECTION OF CONFIDENTIAL INFORMATION.

2.1 As to any information which FormFactor regards as "Confidential Information", disclosures by FormFactor following the Effective Date are subject to and in FormFactor's sole and absolute discretion and will be made as follows:

(a) If such information is in writing, or in a drawing, or in some other tangible form, such information at the time of such disclosure will be clearly marked as "Confidential Information"; and

(b) In the event that such information is orally disclosed, as may happen during exchanges between the parties, FormFactor shall state that the information disclosed is Confidential Information.

2.2 As to any information whether or not specifically designated by FormFactor as "Confidential Information" (as hereinabove described), FormFactor reserves all of its rights and remedies as may now or in the future be accorded to FormFactor under the patent and copyright laws as may apply to the disclosure or use of such information by Recipient.

2.3 Recipient shall use Confidential Information solely and exclusively for the purpose of this Agreement. Recipient shall not use Confidential Information for the benefit of any other party, or disclose, publish, disseminate or copy Confidential Information or any part thereof, to any other person, corporation or other organization without, in each case, obtaining the prior written consent of FormFactor. Recipient shall restrict any and all circulation of Confidential Information to a limited number of its employees on a "need to know basis" for the exclusive purpose of reviewing the Confidential Information for the Purpose of this Agreement. Recipient acknowledges that all information is provided "AS IS" and without any warranty, whether express or implied, as to its accuracy or completeness, non-infringement or use for particular purpose.

2.4 Recipient shall not reverse engineer, decompile or disassemble any of the Confidential Information or any products or samples containing Confidential Information; provided, however, Recipient may examine FormFactor's products or samples for the sole purpose of internally evaluating them. Recipient may examine FormFactor's products or samples for the sole purpose of internally evaluating them. Recipient shall use its best efforts to safeguard against the unauthorized use or disclosure of Confidential Information, and take security precautions at least as great as the precautions it takes to protect its own confidential and proprietary information and materials.

2.5 Notwithstanding anything to the contrary herein provided, Recipient shall not:

(a) Deliver or leave any samples; parts or products containing Confidential Information to or with third party;

(b) Disclose to any third party the manufacturing or assembly process used by FormFactor, or the structure of FormFactor's electronic interconnect technology products; and/or

(c) Disclose to any third party any evaluation and testing date or results, unless FormFactor gives prior written approval of such disclosure.

2.6 Neither execution of this Agreement nor the furnishing of any Confidential Information to Recipient shall be construed as granting to Recipient, either expressly or by implication, estoppel, or otherwise, any license or right to (a) make use of any such Confidential Information, or (b) any patents or other intellectual property of FormFactor, other than for the purpose. Recipient agrees that neither it nor any of its subsidiaries, affiliates or representatives will use Confidential Information for outer than

the purpose without the specific and written express consent of FormFactor prior to such use. Furthermore, Recipient agrees that Confidential Information is the sole property of FormFactor and that Recipient has no proprietary interest in such information whatsoever.

2.7 Within ten (10) business days of receipt of FormFactor's written request, Recipient will return to

FormFactor all information and materials, including but not limited to documents, drawings, programs, lists, models, records, compilations, notes, extracts, summaries, and any samples or parts containing Confidential Information, and all copies thereof containing Confidential Information, regardless of whether prepared by FormFactor or Recipient or any of its subsidiaries, affiliates or representatives. Fur purposes of this Paragraph 2.7, the term "documents" includes all information fixed in any tangible medium or expression, in whatever furor or format whether known or hereafter created.

2.8 Recipient hereby acknowledges and agrees that unauthorized use or disclosure of Confidential Information Would cause serious and irreparable harm and significant injury to FormFactor that may be difficult or impossible to ascertain. Accordingly, Recipient agrees that FormFactor will have, in addition to all outer remedies at law or in equity, the right to seek and obtain immediate injunctive relief for the actual or threatened unauthorized use or disclosure of Confidential Information. Recipient shall notify FormFactor immediately upon the discovery of any unauthorized disclosure or use of Confidential Information, or any other breach of this Agreement by Recipient. Recipient will cooperate with FormFactor in every reasonable way to help FormFactor regain possession of the Confidential Information and prevent further unauthorized use.

3. EXPORT RESTRICTIONS. Recipient agrees that it will not in any form export, reexport, resell, ship or divert or cause to be exported, reexported, resold, stripped or diverted, directly or indirectly, any product or technical data to any country for which the United States Government or any agency thereof at the time of export or reexport requires an export license or other government approval without first obtaining such approval.

4. TERMS. This Agreement shall be effective as of the Effective Date and may be terminated by FormFactor with respect to further disclosures upon thirty (30) days written notice. All obligations of confidentiality and restrictions on the use of Confidential Information created under and by this Agreement shall remain in force and effect for five (5) years from the date any Confidential Information is or was disclosed by FormFactor Recipient or, in the event that FormFactor and the Recipient enter into a business relationship following the date of this Agreement, five (5) years following the date such business relationship terminates, whichever is later. All other terms and conditions of this Agreement shall survive the termination of this Agreement.

5. NO OBLIGATIONS. This Agreement and any action taken pursuant to the terms and conditions hereof shall not obligate either party to enter into any other business relationship. The terms and conditions of any such relationship shall be subject to separate negotiation and agreement of the parties.

6. MISCELLANEOUS.

6.1 This Agreement is the entire agreement between FormFactor and Recipient with respect to the subject matter contained herein and supersedes any prior or contemporaneously oral or written agreements concerning this subject matter. This Agreement may not be amended except by written agreement signed by authorized representatives of both parties. No waiver of any provision of this Agreement shall constitute a waiver of any other provision(s) or of the same provision on another occasion. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remaining provisions shall remain in full force and effect.

6.2 This Agreement may not be assigned or transferred by Recipient without FormFactor's prior written consent.

6.3 This Agreement will be governed and construed in accordance with the laws of the State of California, without regard to its conflict of laws principles. The parties hereby agree to submit themselves to the jurisdiction of the federal and state courts within Santa Clara County, California.

IN WITNESS THEREOF, FormFactor and Recipient have executed this Agreement as of the Effective Date.

"FORMFACTOR":	"RECIPIENT":
FormFactor, Inc.	Name: _____ (Individual or Company, as applicable)
By: _____ (Signature)	By: _____ (Signature)
Name: _____ (Printed Name)	Name: _____ (Printed Name)
Title: _____ (Authorized Officer)	Title: _____ (Authorized Officer)

EXHIBIT I

LIST OF COMPETITORS

The following is a list of Tenant's competitors:

Kulicke and Soffa
Wentworth
JEM
MJC
Tessera
Cascade Microtech
Feinmetal

EXHIBIT J

ACKNOWLEDGEMENT OF COMMENCEMENT DATE

THIS ACKNOWLEDGMENT OF COMMENCEMENT DATE is made as of _____, 2001, by and between the undersigned parties with reference to that certain Lease (the "LEASE") dated as of _____, by and between Greenville Investors, L.P., as "LANDLORD" therein, and Form Factor, Inc. as "TENANT," for the premises commonly known as "BUILDING 2", located in the Pacific Corporate Center, in the City of Livermore, California, as more particularly described in the Lease. All capitalized terms referred to herein shall have the same meaning defined in the Lease, except where expressly provided to the contrary.

1. Landlord and Tenant hereby confirm that in accordance with the provisions of the Lease, the Commencement Date of the Term has occurred and is _____, and that, unless sooner terminated, the initial term thereof expires on _____. If Tenant elects to exercise its first extension option pursuant to the terms of the Lease, Tenant must deliver written notice to Landlord by no later than _____.

2. This Acknowledgment of Commencement Date shall inure to the benefit of, and bind, the parties hereto, and their respective heirs, successors and assigns, subject to the restrictions upon assignment and subletting contained in the Lease.

IN WITNESS WHEREOF, the parties have executed this acknowledgement of Commencement Date as of the date first above written.

LANDLORD:	TENANT:
GREENVILLE INVESTORS, L.P. a California limited partnership	FORM FACTOR, INC.,
By: Greenville Ventures, Inc. Title: Greenville Partner	By: _____
	Its: _____
By: _____	
Its: _____	

EXHIBIT 10.20
CONFIDENTIAL TREATMENT REQUESTED

PACIFIC CORPORATE CENTER LEASE

by and between

GREENVILLE INVESTORS, L.P.,

a California limited partnership
as "LANDLORD"

and

FORMFACTOR, INC.,
a Delaware corporation

as "TENANT"

Dated as of May 3, 2001

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately.

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SCHEDULE OF EXHIBITS

PACIFIC CORPORATE CENTER LEASE

THIS LEASE is made and entered into as of May 3, 2001, by and between GREENVILLE INVESTORS, L.P. a California limited partnership (hereafter, "LANDLORD"), and FORMFACTOR, INC., a Delaware corporation (hereafter "TENANT").

A. DEMISE. Landlord hereby leases, demises and lets to Tenant, and Tenant hereby leases, hires and takes from Landlord those certain premises ("the PREMISES") described as follows:

That commercial building consisting of approximately 38,087 square feet of gross leasable area ("GLA"), designated as Building 3 on the Site Plan attached hereto as Exhibit A ("BUILDING 3") and to be constructed by Landlord and Tenant in accordance with Article 8 and Exhibit C hereof. The exterior walls, roof, air space above and the area beneath Building 3 are not demised and their use together with the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through the Premises in locations that will not materially interfere with Tenant's use and serving other parts of Building 3, are hereby reserved to the Landlord, except as otherwise expressly provided herein.

The Premises is located at 501 Lawrence Drive, Livermore, California on the real property more particularly described and shown on Exhibit B as Parcel 3 ("PARCEL 3") and is a part of Pacific Corporate Center, a common interest development being developed by Landlord in the City of Livermore, Alameda County, California, (the "CENTER") which includes eight (8) parcels of real property together with all buildings and other structures and improvements to be constructed thereon and is more particularly described and shown on Exhibit B, the Center Legal Description and Parcel Map. All parcels of real property in the Center owned (in whole or in part) by Landlord from time to time are hereinafter collectively referred to as "LANDLORD'S PARCELS".

B. TERMS, COVENANTS AND CONDITIONS. The parties agree that this Lease is made upon the following terms, covenants and conditions:

ARTICLE 1. BASIC TERMS

In all instances, the basic terms set forth in this Article 1 are subject to the main body of the Lease in general and those Articles noted in parentheses in particular.

(a)	TERM: Approximately Nine (9) Lease Years; four (4) options of 5 years each	(Art.2; Addendum A-2.1)
(b)	INITIAL MONTHLY BASE RENT: $52,179.19 ($1.37 psf of GLA)	(Art 3)
(c)	LETTERS OF CREDIT: One in the amount of $626,150 (12 months Base Rent) One in the amount of $313,075 (6 months Base Rent)	(Art. 5)
(d)	TENANT'S INITIAL ESTIMATED MONTHLY OPERATING EXPENSE PAYMENT: $3,199.00	(Art. 10)
(e)	TENANT'S INITIAL ESTIMATED MONTHLY TAX PAYMENT: $6,703.00	(Art. 7)
(f)	TENTATIVE COMMENCEMENT DATE: September 30, 2001	(Art. 8)
(g)	RENT COMMENCEMENT DATE: The earlier of June 30, 2002 (provided that such date shall be postponed for each day after January 1, 2002, that the Delivery Date occurs) or the date of substantial completion of the Tenant Improvements	(Art. 2)
(h)	USE: Office and light manufacturing services, "clean rooms", and related lawful purposes	(Art. 4)
(i)	TENANT IMPROVEMENT ALLOWANCE: $952,175 ($25.00 psf of GLA)	(Exhibit C)

(j) ARTICLES AND EXHIBITS: This Lease consists of Articles 1 through 32, Addendum to Lease, and Exhibits A, B, C, D, E, F, F-1, G, H, I and J attached hereto, which are by this reference incorporated herein.

ARTICLE 2. TERM

2.1 Landlord and Tenant have entered into a lease of even date hereof for Building 1 located on Parcel 1 in the Center (the "BUILDING 1 LEASE"). The Term of this Lease shall commence on the date ("COMMENCEMENT DATE") that the Premises are delivered to Tenant in the Delivery Condition (as defined in Article 8), and shall terminate at midnight on the date of expiration of the initial term of the Building 1 Lease.

See Addendum A-2.1.

2.2 The first "LEASE YEAR" shall begin on the Commencement Date and shall expire on the last day of the month, twelve (12) full calendar months next following the Rent Commencement Date set forth in Paragraph 1(g). If the Rent Commencement Date occurs on the first day of the calendar month, then the first Lease Year shall end on the day immediately preceding the first anniversary of the Commencement Date. Subsequent Lease Years shall be each consecutive twelve (12) calendar month period thereafter except for the last Lease Year which may be a partial Lease Year.

2.3 Promptly after the Rent Commencement Date, Landlord and Tenant shall execute a written acknowledgment of the Rent Commencement Date in the form attached hereto as Exhibit J.

ARTICLE 3. BASE RENT

3.1 Tenant agrees to pay without offset or deduction of any kind (except as expressly set forth in this Lease) the initial monthly Base Rent amount set forth in Paragraph 1(b) above and as adjusted pursuant to Section 3.2, in advance at Landlord's address on the first day of each calendar month during the Term of this Lease. Tenant's obligation to pay Base Rent shall commence on the Rent Commencement Date. If the Rent Commencement Date is not the first day of a calendar month, the first month's rent shall be prorated on the basis of a thirty (30) day month, and shall be payable with the first full monthly rental due hereunder. Landlord's address shall be as set forth below its signature, or as from time to time designated by Landlord to Tenant in writing.

3.2 As of the date of commencement of the second Lease Year and as of the commencement of each Lease Year during the initial Lease Term thereafter, the monthly Base Rent shall increase by four percent (4%) over the monthly Base Rent in effect immediately preceding the applicable adjustment date.

ARTICLE 4. USE OF PREMISES

4.1 The Premises shall be used and occupied only for the purposes described in Paragraph 1(h) above and for other uses permitted within the light industrial zoning district within which the Premises is located, unless prohibited by the Declaration, and provided Tenant's use otherwise complies with all applicable governmental requirements. Tenant shall not use the Premises for any other purposes without Landlord's prior written consent, which consent may be withheld in Landlord's sole discretion. Without limiting the foregoing, it is acknowledged that Tenant may elect to use a portion of the Premises for an employee cafeteria and kitchen facilities provided that all construction of such facilities is performed in accordance with the provisions of Section 9.5 hereof.

4.2 Tenant shall not do or permit to be done in or about the Premises anything which is illegal or unlawful; or which will cause cancellation of any insurance on the building of which the Premises are a part. Tenant shall not obstruct or interfere with the rights of any other tenants and occupants of the Center or their invitees, nor injure them, nor operate the Premises in a manner which unreasonably disturbs other tenants in the use of their premises in the Center. Tenant shall not cause, maintain or permit any nuisance on or about the Premises. Tenant shall not use nor permit the use of the Premises or any part thereof as living quarters.

4.3 Tenant acknowledges that although Landlord has permitted Tenant the use of Premises for the purpose described in this Article, neither Landlord nor any agent of Landlord has made any representation or

warranty to Tenant with respect to the suitability of the present zoning of the Building for such use. Tenant assumes all responsibility for investigating the suitability of the zoning for its use and for compliance with all other laws and regulations governing such use.

4.4 Tenant shall have use of, and access to, the Premises twenty four (24) hours per day, three hundred sixty five (365) days per year, subject to the provisions of this Lease and ordinances and regulations of applicable governmental agencies.

4.5 Tenant agrees that, at its own cost and expense, it will comply with and conform to all Legal Requirements (as defined in Section 4.7(d) below) in any way relating to the use or occupancy of the Premises throughout the entire term of this Lease; including the Livermore Fire Code requiring all tenants to obtain fire extinguishers for the Premises and maintain them so that they are fully charged and operational at all times and inspected annually. Further, subject to Landlord's obligation to deliver the Premises to Tenant in the Delivery Condition, Tenant shall thereafter be obligated at its own cost and expense to take such action and perform such work (including structural alterations) to the Premises, as required to comply with the Americans with Disabilities Act ("ADA") and other applicable handicapped access codes. Further, if, and to the extent, due to Tenant's use of, or alterations to, or work performed by Tenant in the Premises, changes, alterations or improvements to Building 3, Parcel 3 or other portions of the Center are required by any governmental agency, Tenant shall be responsible for the costs of such changes, alterations and improvements. Notwithstanding the foregoing, nothing contained herein shall limit or affect any representations, warranties or covenants of Landlord or any of Landlord's contractors with respect to any work performed pursuant to Article 8 or Exhibit C. Except to the extent of Tenant's compliance obligations set forth above, Landlord shall be obligated to comply with all Legal Requirements, including, without limitation, the ADA and other applicable handicapped access codes, with respect to all portions of Parcel 3 outside of Building 3, subject to reimbursement as specifically set forth in this Lease and further subject to the terms of the Declaration.

4.6 Tenant shall place no loads upon the floors, walls, ceilings or roof of the Building in excess of the maximum design load of Building 3.

4.7 HAZARDOUS SUBSTANCES:

A. HAZARDOUS SUBSTANCE; REPORTABLE USES: As used herein, the terms "HAZARDOUS SUBSTANCE" and "HS " shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment, or the Premises; (ii) regulated or monitored by any governmental authority; or (iii) a basis for potential liability of Landlord to any governmental agency or third party under any applicable statute. Hazardous Substance shall include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products or by-products thereof. "REPORTABLE USE" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and (iii) the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable HS Requirements (as defined in subparagraph (F) hereinafter) require that a notice be given to persons entering or occupying the Premises or neighboring properties.

B. TENANT'S USE OF HAZARDOUS SUBSTANCES:

(1) Notice of Use of Hazardous Substances. Tenant may, without Landlord's prior consent, but upon notice to Landlord and in compliance with all Applicable HS Requirements and all other provisions of this Section 4.7, at Tenant's sole cost and expense, (i) operate a business on the Premises which is substantially similar to the business it is operating at its facilities in Livermore, California as of the Commencement Date, i.e. research, development, design, manufacture (including with clean room facilities), and sale of electronic components and devices relating to the testing and packaging of semiconductor devices and to probing technology, and to wafer-level burn-in and packaging and chip scale packaging of semiconductor devices ("PERMITTED USE"), and (ii) use any ordinary and customary Hazardous Substances reasonably required to be used by Tenant in the normal course of the Permitted Use.

(2) Tenant's HS Use. Tenant shall have the right to use the Hazardous Substances listed on Exhibit F without Landlord's prior consent and without the requirement of additional insurance. Tenant shall use all such Hazardous Substances in accordance with all Applicable HS Requirements and in compliance with all other provisions of this Section 4.7, specifically including the notice requirements and restrictions set forth below. Tenant's use of the substances referenced in Exhibit F may be referred to herein as "TENANT'S HS USE".

(3) Control of HS Hazards.

(a) Plans for Designated HS Areas. Tenant shall use, store, or otherwise manage HS only in areas designated by Tenant for such use ("DESIGNATED HS AREAS"). Prior to commencement of Tenant's HS Use on the Premises, and prior to modification of or addition to any Designated HS Areas, Tenant shall provide Landlord with written plans (such as architectural or engineering plans) regarding the design and planned operation of the Designated HS Areas. The plans shall include descriptions of the types and quantities of HS that will be used, stored, or otherwise managed in Designated HS Areas, the maximum design capacity of each Designated HS Area and descriptions of all equipment and structures that will be used to control environmental, health, and safety hazards associated with the HS, including, for example, secondary containment structures and air pollution control equipment. Tenant will also provide copies of all permits and other approvals required to be obtained to lawfully operate Tenant's business and Hazardous Substances on the Premises.

(b) Commencement of Tenant's HS Use. Tenant shall not commence Tenant's HS Use until Landlord has approved the plans submitted by Tenant pursuant to subparagraph (a) above, which approval shall not be unreasonably withheld or delayed. Landlord may (but without any obligation to do so) condition its approval upon Tenant's taking such measures as Landlord, at its reasonable discretion, deems necessary to protect itself, the public, the Premises, the Center, and the environment against damage, contamination, injury, and/or liability, including, but not limited to the installation (and, at Landlord's option, removal on or before Lease expiration or earlier termination) of reasonably necessary protective equipment, structures, or modifications to the Premises. Tenant's plans shall be deemed approved, however, if Tenant's plans comply with the requirements of subparagraph (a) and the minimum standards set forth on Exhibit F-1.

(c) Modification/Expansion of Designated HS Areas. Tenant shall not modify or add to the Designated HS Areas until Landlord has approved the plans submitted by Tenant pursuant to subparagraph (a) above for the modification or addition, which approval shall not be unreasonably withheld or delayed. Tenant's plans shall be deemed approved, however, if Tenant's plans for the modification or addition comply with the requirements of subparagraph (a) and the minimum standards set forth on Exhibit F-1.

(4) Notice of HS Use. Tenant shall notify the Landlord in writing at least five (5) business days prior to any of the following:

(a) the date Tenant first commences Tenant's HS Use on the Premises; or

(b) the date Tenant commences to store or use any Hazardous Substance which is not listed on Exhibit F (a "NEW HS"), if the quantity of the New Hazardous Substance exceeds either (i) 55 gallons of liquid, 500 pounds of solid, 200 cubic feet of compressed gas at standard temperature and pressure, or (ii) the applicable Threshold Planning Quantity listed in 40 CFR Part 355.

After receipt of a notice pursuant to subparagraph (b) above, if Tenant's use of the New HS in the Premises is materially more dangerous than Tenant's use of Hazardous Substances listed on Exhibit F, Landlord may require Tenant to obtain a policy of pollution liability insurance in a commercially reasonable form and amounts and with such insurer as may be reasonably approved by Landlord. For any insurance policy requirement, Landlord shall be named as an additional insured under such policy. Tenant shall deliver a certificate of any insurance required prior to bringing the Hazardous Substance into the Premises and Tenant shall maintain such insurance in effect until the closure requirements set forth in subparagraph (H) below have been satisfied or the New HS use ceases.

(5) Contents of New HS Notice. Each notice of a New HS shall specify the names and quantities of any New HS that Tenant intends to place on the Premises which exceeds the quantities described in

subparagraph 4(b) above together with a copy of all permits and other approvals required to be obtained to lawfully use, store, or otherwise manage the New HS on the Premises. Tenant's notice shall also provide Landlord with information regarding the Designated HS Areas where the New HS will be used, stored, or otherwise managed, the new aggregate quantities of all Hazardous Substances in Designated HS Areas, and the maximum design capacities of the Designated HS Areas (if changed or modified from the Designated HS Areas as initially approved consistent pursuant to Section 4.7(B)(3)(b) above).

(6) Increase in HS Quantities. If, at any time during the Term, Tenant intends to increase the quantity of existing Hazardous Substances and/or add New HS such that the aggregate quantity of all Hazardous Substances in any Designated HS Area on the Premises exceeds the maximum design capacity for the Designated HS Area, Tenant shall not increase quantities or add New HS until Landlord has consented to the modification of or addition to the Designated HS Areas, pursuant to Section 4.7(B)(3)(c) above.

(7) Restrictions on Quantity or Use of HS. Notwithstanding any other provision of this Lease, but subject to Tenant's right to engage in a Permitted Use consistent with the standards of Exhibit F-1, Tenant's use of Hazardous Substances at the Premises is subject to the following restrictions:

(a) Tenant shall not, without Landlord's consent, use any HS in quantities such that Tenant would be subject to requirements for preparation of a Risk Management Plan, as set forth in 40 CFR Part 68 (as such requirements exist on the date of execution of this Lease without regard to amendments which may be enacted after the date hereof) and such HS use is materially more dangerous than the HS use presently being carried on by Tenant.

(b) Tenant shall not, without Landlord's consent, use any HS which emits odors unless the odors can be controlled to the extent they are not present at objectionable levels in any areas exterior to the Premises that are accessible to other tenants of the Center or the general public. In the absence of any legal thresholds for identifying objectionable odors, other odor standards may be used, provided they are generally accepted as being scientifically valid.

(c) Tenant shall not, without Landlord's consent, use any HS in a manner that would result in "Significant Emissions". SIGNIFICANT EMISSIONS are defined as air emissions originating from the Premises for which under applicable federal or state law (i) notices or warnings must be given to other occupants of the Center or the general public based upon their proximity to the Building, as opposed to entry therein, or (ii) other occupants of the Center or the general public must receive special training and/or use personal protective equipment.

C. PLANS/REPORTS: Within ten (10) days after Tenant submits the same to any governmental authority, Tenant shall provide Landlord with copies of all hazardous materials business plans, permits and all other plans, reports and correspondence pertaining to storage/management of Hazardous Substances at the Premises, except waste manifests and routine monitoring reports.

D. DUTY TO INFORM LANDLORD: If Tenant knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises or Building or Center, other than as previously permitted or consented to by Landlord or there has been a spill, release or discharge of any Hazardous Substances in the Premises (other than discharges permitted, authorized or otherwise approved by the applicable governmental agencies regulating the same), Tenant shall immediately give Landlord written notice thereof, together with a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action, or proceeding given to, or received from, any governmental authority or third party concerning the presence, spill, release, discharge of, or exposure to, such Hazardous Substance including but not limited to all such documents as may be involved in any Reportable Use involving the Premises. Tenant shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises (including, without limitation, through the plumbing, storm, or sanitary sewer system).

E. INDEMNIFICATION: Tenant shall indemnify, protect, defend and hold Landlord, its agents, employees, lenders, and the Premises and Center, harmless from and against any and all damages, liabilities, judgments, costs, claims, liens, expenses, penalties, loss of permits and attorneys' and consultants' fees arising out of or involving any Hazardous Substance to the extent brought into the Premises and/or Center by or for Tenant, its employees, agents or contractors. Tenant's obligations under this Section 4.7(E) shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Tenant, and, except as otherwise provided in Section 4.7(G), the cost of investigation (including reasonable consultants' and attorneys' fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by Landlord and Tenant shall release Tenant from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Landlord in writing at the time of such agreement.

F. TENANT'S COMPLIANCE WITH REQUIREMENTS: Tenant shall, at Tenant's sole cost and expense fully, diligently and in a timely manner, comply with all "LEGAL REQUIREMENTS", which term is used in this Lease to mean all laws, rules, regulations, ordinances, directives, covenants, easements and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau, relating in any manner to the Premises or Center (including but not limited to matters pertaining to (i) industrial hygiene, (ii) environmental conditions on, in, under or about the Premises, including soil and groundwater conditions, and (iii) the use, generation, manufacture, production, installation, maintenance, removal, transportation, storage, spill or release of any Hazardous Substance, which foregoing (ii) and (iii) Legal Requirements may be referred to as "APPLICABLE HS REQUIREMENTS"), now in effect or which may hereafter come into effect. Tenant shall, within twenty (20) business days after receipt of Landlord's written request made from time to time, provide Landlord with copies of all documents and information, including but not limited to permits, registrations, manifests, applications, reports and certificates, evidencing Tenant's compliance with all Applicable HS Requirements specified by Landlord, and shall within five (5) business days after receipt, notify Landlord in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving failure by Tenant or the Premises to comply with any Legal Requirements. Tenant shall be obligated to disclose to Landlord which Hazardous Substances are used at the Premises and how such Hazardous Substances are being handled (but in no event shall Tenant be required to disclose information regarding formulations or manufacturing processes or procedures related to such Hazardous Substances) notwithstanding that such information may be proprietary information or a trade secret. Landlord agrees to keep as confidential all such proprietary information delivered to Landlord (including, without limitation, Exhibit F) and which Tenant designates in writing as confidential, provided that Landlord may disclose the same when required by law or in litigation between Landlord and Tenant regarding such information or to Landlord's lenders or to prospective purchasers provided such parties have also agreed to keep the same confidential.

G. COMPLIANCE WITH LAW GOVERNING HAZARDOUS SUBSTANCES: Landlord, Landlord's agents, employees, contractors and designated representatives, and the holders of any mortgages, deeds of trust or ground leases on the Premises ("LENDERS") shall have the right to enter the Premises at any time in case of an emergency, and otherwise at reasonable times (but not more often than annually for inspection of Tenant's "clean room" on the Premises, if any, or more often than quarterly for inspection of other parts of the Premises), and upon no less than 10 days' notice, unless an emergency exists, for the purpose of inspecting the condition of the Premises and for verifying compliance by Tenant with this Lease and all Legal Requirements, and Landlord shall be entitled to employ experts and/or consultants in connection therewith (provided that such experts and/or consultants are not engaged in a business competitive with Tenant, or consult or give advice to any competitor of Tenant listed on Exhibit I) to advise Landlord with respect to Tenant's activities, including but not limited to Tenant's installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance on or from the Premises ("LANDLORD'S CONSULTANTS"). Prior to engaging any Landlord's Consultants, Landlord shall provide Tenant with written notice of the name of the proposed consultant and Tenant shall have five (5) business days to object to the engagement based upon Tenant's reasonable belief that engagement of the particular individual as Landlord's Consultant, and the consequent access to Tenant's facilities and proprietary information and trade secrets, could result in competitive injury to Tenant. Landlord shall not engage with a consultant as to whom Tenant has objected. Tenant shall cooperate with Landlord's Consultants inspecting the Premises, including responding to interviews (for a time period not to exceed four (4) hours for the initial site visit and two (2) hours for site visits thereafter).

Landlord's Consultants shall at all times be escorted by Tenant, unless Tenant agrees otherwise. This and all rights to enter except in the event of an emergency are subject to Landlord, Landlord's agents, employees, contractors, designated representatives, prospective purchasers and/or Lenders, as the case may be, executing Tenant' s standard non-disclosure agreement in the form attached hereto as Exhibit H. The costs and expenses of any such inspections shall be paid by the party requesting same and in no event shall be borne by or passed along to Tenant unless requested by Tenant, subject only to the proceeding sentence. If the inspection is performed due to a violation of Applicable HS Requirements, Tenant shall, upon request, reimburse Landlord or Landlord's Lender, as the case may be, as additional rent, for the costs and expenses of such inspections.

H. CLOSURE REQUIREMENTS: Prior to any termination of the Lease, Tenant, at its sole cost and expense (except as to those costs and expenses arising out of actions undertaken by Landlord or by a third party on behalf of Landlord), shall satisfy the following closure requirements with respect to the Hazardous Substances Tenant has used in the Premises during the Term:

(1) Comply with all applicable federal, state and local closure requirements with respect to Hazardous Substances;

(2) Prepare a closure plan (the "CLOSURE PLAN") that specifies the final disposition of all Hazardous Substances and equipment which may be contaminated with Hazardous Substances; cleaning and decontamination activities, and confirmation sampling (e.g. wipe samples, soil/ground water samples and/or indoor air quality samples, to the extent warranted by the site conditions then existing).

(3) At least sixty (60) days prior to the Lease termination, provide to Landlord a copy of the Closure Plan for review and reasonable approval. Landlord may, after consultation with Tenant, require modification of the Closure Plan to include additional activities, including sampling activities, if the site conditions indicate that there is a reasonable probability that "Significant Residual Contamination" is present. SIGNIFICANT RESIDUAL CONTAMINATION shall mean residual contamination which: (i) exceeds standards or guidance levels typically used by regulatory agencies in California for evaluating potential threats to human health or the environment; or (ii) would result in notification requirements under applicable state law of potential health risks to individuals on the Premises, other tenants of the Center, and/or the general public; or (iii) would result in potential environmental liability to Tenant or Landlord; or (iv) would result in the need for conducting any type of additional decontamination activities prior to leasing the Premises to a new tenant. If Landlord fails to request modification of the Closure Plan within ten (10) business days after its receipt thereof, Tenant's Closure Plan shall be deemed accepted.

(4) Notify Landlord of closure schedule and allow access to Landlord and/or Landlord's Consultants for inspections prior to commencing and following completion of the cleaning/decontamination activities.

(5) Notify Landlord of all sample analysis results, if any. Landlord may require additional closure activities if sampling results disclose Significant Residual Contamination.

(6) Prepare and provide to Landlord closure report documenting closure activities consistent with the Closure Plan and sample results, if any, following completion of all closure activities.

Closure shall be deemed to be complete upon Landlord's reasonable approval of the closure report and, if applicable, Landlord's receipt of a copy of the written closure approval from the local environmental agency with jurisdiction over the Hazardous Substances at the Premises.

I. SURVIVAL OF OBLIGATIONS: Tenant's obligations under this Section 4.7 shall survive the termination of this Lease.

See Addendum A-4.7.

4.8 DECLARATION. Tenant acknowledges and agrees that this Lease shall be subject to and subordinate to a Declaration of Covenants, Conditions and Restrictions which will be recorded prior to the Delivery Date in the

Official Records of Alameda County, California, which, together with all amendments from time to time, are collectively referred to as the "DECLARATION". A true and correct copy of the Declaration is attached hereto as Exhibit G. Tenant agrees to be bound by and comply with all provisions of the Declaration. Upon recordation, Landlord shall deliver a copy of the recorded Declaration to Tenant.

See Addendum A-4.8.

ARTICLE 5. LETTERS OF CREDIT/SECURITY DEPOSIT

5.1 In order to secure the prompt and faithful performance by Tenant of all of the obligations of this Lease to be kept and performed by Tenant, upon execution of this Lease Tenant shall deliver to Landlord unconditional, clean, irrevocable, standby Letters of Credit (the "LETTER OF CREDIT") in the amounts specified in Paragraph 1(c) above.

5.2 Following the occurrence of an Event of Default under this Lease by Tenant, Landlord may (but shall not be required to) use, apply or retain all or any part of said Letters of Credit for the payment of any rent or any other sum in default, or for the payment of any other amount which Landlord may spend or become obligated to spend by reason of the Event of Default by Tenant, or to compensate Landlord for any other loss or damage which Landlord has suffered or may suffer by reason of Tenant's Event of Default. If any portion of said Letters of Credit is so used, applied or retained, prior to the date that the second payment of monthly rent is due after the date of such application, Tenant shall either increase the Letters of Credit to an amount sufficient to restore each to its original sum or pay to Landlord a cash security deposit in the amount which was applied (e.g. if the Landlord uses the Letter of Credit for payment of an overdue installment in March, Tenant shall restore the Letter of Credit amount or pay the required cash deposit to Landlord prior to May 1). Tenant's failure to do so shall constitute an Event of Default of this Lease, and Landlord may, without any further notice, exercise its remedies specified in Article 25 hereof.

5.3 Provided that on the applicable adjustment date no Event of Default exists nor has one occurred during the preceding twelve (12) month period, the Letter of Credit amounts shall be adjusted as follows:

(a) As of the last day of each of the first five (5) Lease Years, the amount of each Letter of Credit shall be reduced by ten percent (10%) of the original amount of such Letter of Credit,

(b) As of the last day of the sixth (6th) Lease Year the amount of each Letter of Credit shall be reduced by twenty-five percent (25%) of the original amount of such Letter of Credit,

(c) As of the first day of the eighth (8th) Lease Year Tenant may substitute for all outstanding Letters of Credit then in effect either a cash security deposit equal to two (2) months of then existing Rent for the Premises or a new Letter of Credit in the amount of two (2) months' Rent. The substitute security shall be retained until the end of the Term. Landlord shall not be required to keep any cash security deposit separate from its general funds and is in no event to be deemed a trustee thereof, and Tenant shall not be entitled to interest on any sums deposited or redeposited under this Article 5 and the same shall be subject to the provisions of Sections 5.2 and 5.5, and

(d) If the requirements for an adjustment are not met on any adjustment date, that date and each subsequent adjustment date (as the same may be deferred pursuant to this subparagraph (d)) shall be deferred on a month-by-month basis until the requirements are satisfied. (For example if the first adjustment date at the end of the fourth Lease Year was deferred for ninety days, all adjustment dates thereafter would also be deferred for ninety (90) days).

(e) Notwithstanding and without limiting or affecting the foregoing, at any time during the Term upon Tenant's written request to Landlord, submitted with evidence reasonably satisfactory to Landlord that Tenant has satisfied the financial criteria set forth below for two (2) consecutive calendar years and provided that no Event of Default then exists nor has one occurred during the twelve (12) month period preceding Tenant's request, Tenant may substitute for all outstanding Letters of Credit then in effect a cash security deposit or new letter of credit equal to four (4) months of the then existing Rent for the Premises. The cash deposit shall be held on the terms set forth in subsection (c) above and as of the eighth (8th) Lease Year shall be subject to reduction as provided in that subsection. Such substitution shall be effective upon written notice to Landlord together with reasonable evidence

that the criteria have been satisfied for the required period. The financial criteria referred to above are as follows: (i) Tenant's Net Worth (defined as total assets less total liabilities less unamortized intangible assets less goodwill) shall be at least $90,000,000, (ii) Tenant's Current Ratio (defined as current assets divided by current liabilities) shall be at least 1.5:1, and (iii) Tenant shall have positive annual earnings before income taxes, depreciation and amortization expenses.

5.4 All Letters of Credit required herein shall be on the following additional terms and conditions:

(a) Letters of Credit shall be payable on sight with the bearer's draft issued by and drawn on a major bank or other financial institution which is defined by ICC Publication 500 as empowered to issue Documentary credits and Standby Letters of Credit (the "ISSUING BANK") of Tenant's selection, subject to Landlord's reasonable approval. Landlord hereby approves Imperial Bank as an acceptable issuing bank. Each Letter of Credit shall state that it shall be payable against sight drafts presented by Landlord, accompanied by Landlord's statement that such drawing is in accordance with the terms and conditions of this Lease; no other document or certification from Landlord shall be required to negotiate the Letter of Credit. Landlord may designate any bank as Landlord's advising bank for collection purposes and any sight drafts for the collection of the Letter of Credit may be presented by the advising bank on Landlord's behalf.

(b) Each Letter of Credit shall be for a term of one (1) year and shall be substantially in the form of Exhibit D attached hereto. The Letter of Credit shall provide for its automatic extension for additional one year periods (subject to any reduction pursuant to Section 5.3 above, if applicable) unless the issuing bank notifies Landlord not less than sixty (60) days prior to its then expiration date that the Letter of Credit will not be extended. However, if the issuing bank notifies Landlord that the Letter of Credit will not be so extended, Landlord shall be entitled to draw against the Letters of Credit in the amount of the entire amount which remains unpaid. The fee for the maintenance of the Letters of Credit shall be at Tenant's sole cost and expense.

(c) Following the occurrence of an Event of Default by Tenant under this Lease, Landlord shall be entitled to draw against the Letters of Credit in the amount required to cure Tenant's Event of Default.

(d) If an Event of Default has occurred and remains uncured, Landlord shall not be required to exhaust its remedies against Tenant before having recourse to the Letters of Credit or to any other form of security held by Landlord or to any other remedy available to Landlord at law or in equity. Notwithstanding anything to the contrary herein, Landlord confirms and agrees that it will draw upon the Letter of Credit for any monetary Event of Default prior to taking any action to terminate the Lease by reason of such Event of Default. If the proceeds of Landlord's draw upon the Letter of Credit satisfies the monetary Event of Default and Tenant restores the Letter of Credit amount or pays a cash security deposit to Landlord as required in Section 5.2 above, Landlord shall have no further right to terminate this Lease by reason of such Event of Default.

(e) Each Letter of Credit shall be transferable. In the event of any sale, assignment or transfer by Landlord of its interest in the Premises or this Lease, Landlord shall have the right to assign or transfer the Letters of Credit to its grantee, assignee or transferee, and thereupon Landlord shall be discharged from any further liability with respect thereto and Tenant shall look solely to such grantee, assignee or transferee for the return of the Letters of Credit. The provisions of the preceding sentence shall likewise apply to any subsequent transferees. The first transfer shall be at no charge to Landlord. Any transfers of the Letters of Credit thereafter shall be at Landlord's expense.

5.5 If Tenant shall have fully satisfied all of its obligations under this Lease, both of the Letters of Credit shall be returned to Tenant within thirty (30) days after the termination of this Lease. If upon the expiration or termination of this Lease Tenant has not satisfied all of its obligations under this Lease, including but not limited to the requirements of Section 4.7 and Article 11 herein regarding Tenant's surrender of the Premises, then Landlord may draw down the Letters of Credit and may apply the amounts drawn toward the costs for the cleaning and/or repair and/or restoration of the Premises or the costs associated with Tenant's failure to perform other obligations. In the event Landlord's interest in this Lease is sold or otherwise terminated, Landlord shall have the right to transfer said Letters of Credit to its successor in interest.

ARTICLE 6. UTILITIES

6.1 Tenant, at its own cost and expense, shall pay for all water, gas, heat, electricity, garbage disposal, sewer charges, telephone, and any other utility or service charge related to its occupancy of the Premises, including but not limited to any hook- up charges. Utilities will be separately metered to the Premises. Tenant acknowledges that all water used with respect to the landscaping on Parcel 3 and the electricity for all outdoor lighting on Parcel 3 will be metered through the water and electrical meters for the Premises and billed directly by Tenant. Tenant will not be responsible for such expenses with respect to any other parcels in the Center.

6.2 Except to the extent arising out of Landlord's negligence or willful misconduct, Landlord shall not be liable in damages, consequential or otherwise, nor shall there be any rent abatement, arising out of any interruption or reduction whatsoever in utility services (i) which is due to fire, accident, strike, governmental authority, acts of God, acts of other tenants or other third parties, or other causes beyond the reasonable control of Landlord or any temporary interruption in such service, and (ii) which is necessary to the making of alterations, repairs, or improvements to the Center, or any part of it (all of which shall be conducted pursuant to Article 9), or (iii) to comply with energy conservation measures mandated by a governmental agency having jurisdiction over the Center.

ARTICLE 7. REAL PROPERTY TAXES

7.1 Tenant shall pay as Additional Rent all "Taxes" (as hereinafter defined) which may be levied, assessed or imposed against or become a lien upon Parcel 3, the tax parcel upon which Building 3 is located, which will be separately assessed. The term "TAXES" shall mean and include real estate taxes, assessments (special or otherwise), including impositions for the purpose of funding special assessment districts, water and sewer rents, rates and charges (including water and sewer charges which are measured by the consumption of the actual user of the item or service for which the charge is made) levies, fees (including license fees) and all other taxes, governmental levies and charges of every kind and nature whatsoever (and whether or not the same presently exist or shall be enacted in the future) which may during the term be levied, assessed, imposed, become a lien upon or due and payable with respect to, out of or for the Parcel 3 or any part thereof, or of any land, building or improvements thereon, or the use, occupancy or possession thereof; and imposed or based upon or measured by the rents receivable by Landlord for the Parcel 3, including gross receipts taxes, business taxes, business and occupation taxes.

"TAXES" shall also include interest on installment payments and all costs and fees (including reasonable attorney's and appraiser's fees) incurred by Landlord in contesting Taxes and negotiating with public authorities as to the same. Taxes shall not include, however, any franchise, estate, inheritance, corporation, transfer, net income, excess profits tax or any assessments levied by the Association pursuant to the Declaration. Association assessments shall be payable pursuant to the provisions of Section 10.4.

7.2 Tenant shall pay the Taxes with respect to any tax fiscal year during the term hereof. Landlord's estimate of Tenant's initial tax payment for Parcel 3 is that amount set forth in Paragraph 1(e) above.

7.3 Commencing with the Commencement Date, Tenant shall pay Landlord monthly, with each payment of monthly Base Rent, the amount computed in accordance with Paragraph 1(e) above as an impound toward the Taxes. Tenant's actual obligation for Taxes shall be determined and computed by Landlord not less often than annually and at the time each such computation is made, Landlord and Tenant shall adjust for any difference between impounded amounts and Tenant's actual share. Tenant shall pay Landlord any deficiency (or Landlord shall pay Tenant any surplus) within thirty (30) days after receipt of Landlord's written statement. At the time of each such computation, Landlord may revise the monthly payment for Taxes set forth in Paragraph 1(e) above by written notification to Tenant. Tenant shall pay its share of Taxes during each year of the Lease Term. Landlord shall furnish Tenant with a copy of the tax bills for the Parcel 3 supporting the amounts charged to Tenant by Landlord.

7.4 If this Lease shall terminate on any date other than the last day of a tax fiscal year, the amount payable by Tenant during the tax fiscal year in which such termination occurs shall be prorated on the basis which

the number of days from the commencement of said tax fiscal year to and including said termination date bears to 365. The obligation of Tenant under this Article 7 shall survive the termination of this Lease.

ARTICLE 8. CONSTRUCTION AND ACCEPTANCE

8.1 Landlord at its sole cost and expense shall construct "LANDLORD'S WORK" as described in Exhibit C attached hereto and incorporated by reference herein. Tenant shall construct "TENANT'S WORK" as specified in Exhibit C and Landlord shall provide a Tenant Improvement Allowance in the amount specified in Paragraph 1(i) to be applied to the cost of the Tenant Improvements constructed by Tenant. If the actual cost of such Tenant Improvements exceeds the Tenant Improvement Allowance, all excess costs shall be at Tenant's sole cost and expense. If the cost is less than the Tenant Improvement Allowance, the balance of the Tenant Improvement Allowance shall be applied to the cost of any Special Tenant Improvements described in Exhibit C, or if none are specified, to the cost of Tenant Improvements under any then existing lease between Landlord and Tenant for other premises in the Center. Landlord agrees to notify Tenant at least ten (10) days prior to the date Landlord anticipates substantial completion of the Base Building portion of Landlord's Work as set forth in Exhibit C ("BASE BUILDING WORK"). The "DELIVERY DATE" for the Premises shall be the date upon which (i) Landlord has substantially completed the Base Building Work, as evidenced by a written certificate of substantial completion issued by Landlord's architect, and (ii) the parking areas on Parcel 3 shall have been substantially completed and all interior roadways designated on the Site Plan which provide ingress and egress to the Premises and to such parking areas shall be paved and accessible from the public roads. The remaining Landlord's Work shall be substantially completed on or before the Rent Commencement Date. As used herein, "SUBSTANTIAL COMPLETION" shall mean completed, except for minor punch list items which do not interfere with Tenant's ability to complete its improvements. The condition of the Premises in compliance with the requirements set forth in items (i) and (ii) above may sometimes be referred to herein as the "DELIVERY CONDITION."

8.2 Following delivery of the Premises to Tenant in the Delivery Condition, Tenant shall diligently proceed to complete Tenant's Work, including any Special Tenant Improvements and such other work as it may deem necessary for the conduct of its business in the Premises. Prior to commencing Tenant's Work, Tenant shall submit to Landlord for approval plans and specifications prepared by an architect selected by Tenant, which plans shall be subject to Landlord's prior reasonable approval. Once Tenant's plans are approved by Landlord, Tenant's contractors (which shall also be subject to prior reasonable approval by Landlord) shall obtain all necessary permits for the work set forth in the Approved Tenant Plans (the "TENANT'S WORK") and proceed to complete Tenant's Work in compliance with all applicable governmental requirements.

8.3 Within thirty (30) days following the Delivery Date, and within thirty (30) days following the date of substantial completion of Landlord's Work, Landlord and Tenant shall mutually prepare a punch list of items to be corrected in the Base Building Work and other Landlord's Work, respectively, including any defects or non-conformance in Landlord' s construction. Landlord shall cause its contractors to promptly complete all punch list items. Landlord's Work shall also be under warranty by Landlord's contractors for a period of one (1) year. Landlord hereby assigns to Tenant all warranties and guaranties received by Landlord from its contractors with respect to the Tenant Improvements and Special Tenant Improvements (if any). If Landlord's contractors shall fail to complete any punch list items within the 90-day period following completion of the punchlist, and such failure continues after notice from Tenant and the cure period provided in Article 24, Tenant may at its option (but shall not be obligated to) complete the required work at Landlord's cost. Landlord shall pay to Tenant within thirty (30) days the amount shown on any statement describing the necessary work completed by Tenant accompanied by the invoices for such work.

8.4 Landlord will cause its contractors to complete the Base Building Work with all commercially reasonable diligence and to deliver the Premises in Delivery Condition on or before October 1, 2001. If the Delivery Date has not occurred by December 1, 2001 due to a Landlord Delay (as defined in Exhibit C), Tenant shall be entitled to a rent credit of one day's Base Rent for each of the first thirty (30) days that Tenant's substantial completion of the Tenant Improvements is delayed beyond June 30, 2002 due to the Landlord Delay, and a rent credit of two day's Base Rent for each of the next thirty (30) days of such delay. Further, if the Delivery Date has not occurred on or before February 1, 2002 due to a Landlord Delay, Tenant shall have the right as its sole remedy to terminate this Lease without penalty by delivering written notice to Landlord within thirty (30) days thereafter

and prior to the date the Delivery Date has occurred. In the event of such termination, Landlord shall return to Tenant all amounts paid to Landlord for the Special Tenant Improvements (as defined in Exhibit C), Tenant's project management fees and the cost of any Tenant Improvements and Special Tenant Improvements (if any) constructed by Tenant in the Premises. Pursuant to the terms of Exhibit C, all time periods referenced above with respect to delivering the Premises to Tenant shall be extended by the number of days of any delay due to Tenant's Delay (as defined in Exhibit C) and/or Force Majeure (as defined in Section 32.8 hereafter).

8.5 After the Premises has been constructed, Landlord's architect shall measure the gross leasable area of Building 3 and shall certify to Landlord such measurement in writing. The GLA so certified will be deemed to be the GLA of the Premises for all purposes of this Lease. To compute the Premises GLA, Building 3 shall be measured to the drip line. The initial monthly Base Rent, estimated tax and operating expense payments, the Letter of Credit amounts set forth in Article 1 and the Tenant Improvement Allowance were based on an estimated GLA of 38,087 square feet. In the event that the Premises GLA as determined pursuant this Section 8.4 is different from the estimated GLA (which difference shall be certified by Landlord's architect and approved by Tenant), the Base Rent, estimated payments, Letter of Credit and Tenant Improvement Allowance amounts set forth in Article 1 shall be adjusted accordingly.

8.6 In the event that Landlord, at its sole option, permits Tenant to take possession of the Premises prior to the Delivery Date for the purpose of constructing its Tenant Improvements, such possession shall be on all the terms and conditions of this Lease except for payment of Rent, specifically including the insurance and indemnity provisions in Articles 14 and 16. In the event that Landlord notifies Tenant that Tenant's early possession is causing a delay in Landlord's Work, Tenant shall promptly cease its construction activities and cause its contractor to remove its personnel, subcontractors and equipment from Premises until the Delivery Date or earlier date acceptable to Landlord.

ARTICLE 9. REPAIRS AND MAINTENANCE

9.1 Landlord, at its sole cost and expense, shall be responsible for the repair, maintenance and, if necessary, replacement of the structural elements, the roof structure, foundation and the structural integrity of floor slabs of Building 3, provided that Tenant shall pay for the cost of any such repairs to the extent occasioned by the negligent act, omission or willful misconduct of Tenant, its agents, employees, invitees, licensees or contractors, or by the construction of Tenant Improvements by Tenant, but only to the extent such cost is in excess of any proceeds received by Landlord from the insurance for Building 3 maintained by Landlord pursuant to Section 14.2.

9.2 Subject to reimbursement by Tenant as provided in Article 10 hereof, Landlord shall keep and maintain in good repair (including replacement as necessary), the roof covering and the exterior surfaces of the exterior walls and window frames of Building 3 (exclusive of doors, door frames, door checks and other entrances and windows), all Outdoor Areas (defined in Section 10.1) on Parcel 3, all Shared Areas (as defined in the Declaration) for the use of Parcel 3 and all systems (including sewer, gas, electrical and water lines) serving the Premises to the point of connection to Building 3. Tenant shall give Landlord prompt written notice of any damage to the Premises requiring repair by Landlord.

9.3 Except to the extent of Landlord's obligations provided in Sections 9.1 and 9.2 hereof, Tenant shall, at its expense, keep and maintain the Premises and every part thereof in good order, condition and repair, including, without limiting the generality of the foregoing, all equipment or facilities specifically serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, fire hose connections if within the Premises, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights. Notwithstanding the foregoing, Tenant shall not be required to make any such repairs to the extent occasioned by the negligent act or omission or willful misconduct of Landlord, its agents, employees, or contractors. Tenant shall keep its sewers and drains open and clear to the perimeter of the Premises, and shall keep the hallways and/or sidewalks and common areas adjacent to the Premises clean and free of debris created by Tenant. Tenant shall reimburse Landlord on demand for the cost of damage to the Premises, Building 3 or Landlord's Parcels caused by Tenant or its employees, agents, customers, suppliers, shippers, contractors, or invitees which is in excess of any proceeds received by Landlord from the insurance for Building 3 maintained by Landlord pursuant to Section 14.2. If Tenant shall fail to comply with the

foregoing requirements within ten (10) days after notice from Landlord, Landlord may (but shall not be obligated to) effect such maintenance and repair, and the cost thereof together with interest thereon at the Interest Rate (defined below) shall be due and payable as Additional Rent to Landlord within thirty (30) days following receipt of Landlord's written statement of such costs.

See Addendum A-9.3.

9.4 Tenant in keeping the Premises in good order, condition, and repair shall exercise and perform good maintenance practices including obtaining, at its expense, a contract for the repair and maintenance of the air conditioning and heating system, if any, exclusively serving the Premises and provide Landlord with a copy of said contract within thirty (30) days after Tenant takes possession of the Premises. The contract shall be for the benefit of Landlord and Tenant and in a form and placed with a licensed contractor satisfactory to Landlord. Tenant obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair, except to the extent of Landlord's obligations expressly set forth in this Lease.

9.5 Tenant shall not make any exterior or structural alterations, changes or improvements in or to Building 3 or material modifications to any of the Base Building operating systems without first obtaining Landlord's prior written consent (which may be withheld by Landlord in its sole discretion as to exterior alterations, and which shall not be unreasonably withheld or delayed with respect to structural or Base Building system modifications), and all of the same shall be at Tenant's sole cost. Landlord's consent shall not be required for any interior cosmetic alterations or alterations not affecting Base Building exterior, structure or systems as referenced above, or for any alterations, changes, replacements or improvements to any interior nonstructural Special Tenant Improvements or any other elements of Tenant's Work; provided that Tenant shall obtain required permits and comply with all other Legal Requirements and all requirements of Article 8 and Exhibit C regarding construction by Tenant and shall notify Landlord not less than ten (10) days prior to commencing any such alterations to give Landlord an opportunity to post a notice of non-responsibility. Landlord may impose as a condition of its consent (when required) such requirements as Landlord, in its reasonable discretion, may deem necessary, including but not limited to, the requirement that Tenant utilize for such purposes only contractors, materials, mechanics and materialmen approved by Landlord, and that good and sufficient plans and specifications be submitted to Landlord at such times as its consent is requested. Further, Landlord's consent to any alteration which Tenant proposes to make after the Commencement Date shall designate by written notice to Tenant any of the alterations, additions and improvements (collectively, "ALTERATIONS") which Landlord will require Tenant to remove at the expiration or termination of the Lease and those Alterations (if any) which Tenant is not permitted to remove. If Landlord so designates, Tenant shall prior to the expiration of the Term promptly remove the Alterations designated to be removed and repair all damage caused by such removal at its cost and with all due diligence, and shall surrender the Premises with all Alterations which Tenant is required to leave. Unless Landlord designates as a condition to granting its consent to any Alterations that removal by Tenant is required or prohibited, Tenant shall have the right, but not the obligation to remove from the Premises the Alterations for which consent was obtained so long as Tenant promptly repairs any damage resulting from such removal. Except as otherwise expressly provided herein, all Alterations made by Tenant (specifically excluding Tenant's furniture, trade fixtures and equipment) shall become the property of Landlord and a part of the realty and shall be surrendered to Landlord upon the expiration or sooner termination of the Term hereof.

See Addendum A-9.5.

ARTICLE 10. OPERATING AND MAINTENANCE COSTS

10.1 All Common Areas in the Center shall be operated and maintained by the Association pursuant to the Declaration. The term "COMMON AREAS" as used in this Lease shall include all areas in the Center defined as Common Areas in the Declaration. Landlord agrees to operate and maintain or cause to operated and maintained during the term of this Lease all "Outdoor Areas" on Parcel 3. The term "OUTDOOR AREAS" as used in this Lease shall include all areas on each of Landlord's Parcels which are not Common Areas, or areas covered by buildings ("BUILDING AREAS") and are provided by Landlord for the convenience and exclusive use of tenants of each of Landlord's Parcels, their respective employees, customers, suppliers, shippers, contractors, and invitees.

10.2 The manner and method of operation, maintenance, service and repair of the Common Areas and the expenditures therefore, shall be determined in accordance with the provisions of the Declaration. The manner and method of operation, maintenance, service and repair of the Outdoor Areas shall be determined by Landlord and at minimum shall be comparable to similar projects in the general vicinity of the Center and shall be in accordance with all Legal Requirements. Except as otherwise expressly provided herein, Landlord reserves the right from time to time to make changes in, additions to and deletions from the Outdoor Areas and/or Common Areas including without limitation changes in the location, size, shape and number of driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways and the purposes to which they are devoted. Notwithstanding the foregoing, in no event shall Landlord make or permit any modifications to Landlord's Parcels which materially and adversely affect Tenant's access to or from Parcel 3 as shown on Exhibit A or which would reduce the number of exclusive parking spaces on Parcel 3 available to Tenant, its agents, employees or contractors.

10.3 Tenant agrees to comply with such reasonable rules and regulations as the Association may adopt from time to time for the orderly and proper operation of the Common Areas. Tenant further agrees to comply with and observe all reasonable rules and regulations established by Landlord from time to time for use of the Outdoor Areas on Parcel 3, including, without limitation, the removal, storage and disposal of refuse and rubbish. The initial Rules and Regulations for the Center are attached hereto as Exhibit E. All rules and regulations adopted or amended after the date of this Lease shall be reasonable and non-discriminatory and shall be subject to the restrictions set forth in Section A-4.9 of the Addendum.

10.4 During the Term of this Lease, Tenant shall pay to Landlord, as Additional Rent, at the time and in the manner specified in Section 10.6 below, Tenant's pro rata share of all costs and expenses of every kind and nature paid or incurred by Association and/ or Landlord in operating, policing, protecting, lighting, providing sanitation and sewer and other services to, insuring, repairing, replacing and maintaining in neat, clean, good order and condition, the Common Areas of the Center and all Outdoor Areas on Landlord's Parcels and in operating, insuring and maintaining the Buildings on Landlord's Parcels ("OPERATING AND MAINTENANCE COSTS").

Subject to the exclusions set forth below, operating and maintenance costs shall include, but shall not be limited to, the following: water, gas and electricity to the Common Areas and Outdoor Areas, and security and guard services; salaries and wages (including employment taxes and so called "fringe benefits") or maintenance contracts of all persons and management personnel to the extent engaged in the regular operation, servicing, repair and maintenance, (specifically including the site coordinator and site superintendent, clerical, and on-site and off-site accounting staff), repair and replacement of roofs of Buildings on Landlord's Parcels, painting and cleaning the exterior surfaces of such Buildings, premiums for liability, property damage and Workers' Compensation insurance (which insurance Landlord, at all times during the Lease term, agrees to maintain with respect to Landlord's Parcels); all costs associated with obtaining such insurance or making any claims under such insurance policies, including the cost of any deductible portion payable with respect to claims (subject to subparagraphs (x) and (xxv)); personal property taxes, if any; charges, excises, surcharges, fees or assessments levied by a governmental agency by virtue of the parking facilities furnished; costs and expenses of planting, replanting and relandscaping; trash disposal, if any; lighting, including exterior building lights; utilities; maintenance and repair of utility lines, sewers and fire detection and suppression systems (including the water used in connection with such systems); sweeping, repairing and resurfacing the blacktop surfaces; repainting and restriping; exterior signs and any tenant directories for the Center as a whole, reserves set aside for maintenance and repair, the cost of any environmental inspections; fees for any licenses and/or permits required for operation of the Common Areas and Outdoor Areas, or any part thereof; equipment rental or purchases, supplies, postage, telephone, service agreements, deliveries, promotion, dues and subscriptions, and reasonable legal fees.

The following costs shall be excluded from the operating and maintenance costs payable by Tenant:

(i) the costs of the initial construction of the Center, including the Buildings, roads, parking lots, utility lines and similar improvements shown on Exhibit A;

(ii) debt service (including, without limitation, principal, interest, late fees, prepayment fees, principal, points, impound payments and all other charges) with respect to any financing relating to

Landlord's acquisition or initial construction of the Center or any portion thereof or any refinancing of such costs;

(iii) any fees or other amounts payable with respect to any ground lease now or hereafter affecting any portion of the Center;

(iv) any costs, fines or penalties incurred as a result of any violation of laws, rules or regulations by Landlord, its agents, employees or contractors;

(v) the cost of any items for which Landlord is reimbursed (or if Landlord fails to carry the insurance required by Section 14.2, would have been so reimbursed) by insurance proceeds, condemnation awards, other tenants of the Center, or for which Landlord is otherwise actually reimbursed;

(vi) any real estate brokerage commissions or other costs (including, without limitation, finder's fees, legal fees, space planning fees and review and supervision fees) incurred in connection with the sale, leasing or subleasing of any portion of the Center, including the renewal, extension or modification of leases;

(vii) any costs representing amounts paid to an entity or person which is an affiliate of Landlord which is in excess of the amount which would have been paid in the absence of the relationship, including, without limitation, any overhead or profit increment paid to subsidiaries or affiliates of Landlord for goods and/or services to any portion of the Center to the extent in excess of the amount which would be paid to unaffiliated third parties on a competitive basis;

(viii) capital improvements and expenditures shall be amortized over the useful life of the capital item in accordance with GAAP;

(ix) non-cash items, such as deductions for depreciation or obsolescence of any improvements or equipment within or used in connection with the Center, and reserves for future expenditures (except reserves maintained by the Association pursuant to the Declaration);

(x) costs incurred by Landlord for the repair of damage to the Center caused by fire, windstorm, earthquake or other casualty, condemnation or eminent domain; provided that an amount equal to the deductible under Landlord's insurance policy may be included, up to a maximum of $5,000 for property damage and $25,000 for liability insurance (collectively the "EXISTING DEDUCTIBLES"), unless otherwise approved by Tenant, and specifically excluding any earthquake insurance deductible;

(xi) Landlord's general corporate overhead and general administrative expenses (including memberships, travel, recruitment and marketing);

(xii) any compensation or benefits paid to clerks or attendants for parking operations of the Center, including validated parking for any entity unless the revenues, if any, from such operations are used to reduce the operating and maintenance costs;

(xiii) electric power, water or other utility costs for which any tenant or occupant of the Center directly contracts with the local public service company or for which any tenant is separately metered or submetered and pays Landlord directly;

(xiv) penalties, late charges and interest incurred as a result of Landlord's failure or negligence to make payments and/or to file any returns (including tax or other informational returns) when due, unless due to Tenant's failure to timely pay the Rent hereunder;

(xv) Landlord's charitable or political contributions, membership dues to organizations or expenses related to attendance at or travel to meetings of political, charitable or business organizations;

(xvi) costs associated with the operation of the business of the corporation, partnership or other entity which constitutes Landlord as the same are distinguished from the costs of operation of the Center, including partnership accounting and legal matters, and costs of selling or mortgaging any of Landlord's interest in the Center;

(xvii) any expenses for repairs or maintenance to the extent reimbursed through warranties, service contracts or recoveries from vendors;

(xviii) any costs incurred in connection with the defense of Landlord's title to the Center or any portion thereof;

(xix) fines and penalties incurred by Landlord due to the violation by Landlord or any tenant of the Center of the terms and conditions of any lease at the Center, or fines or penalties incurred by Landlord due to the violation by Landlord or any tenant of the Center of any law, code, regulation or ordinance;

(xx) marketing, advertising and promotional expenditures ;

(xxi) any bad debt or expense, rent loss or reserves for bad debt or rent loss;

(xxii) any amounts constituting "Taxes" as defined in and to the extent payable pursuant to Article 7 of this Lease;

(xxiii) the costs of any building repairs, maintenance, replacement or casualty insurance for any buildings other than Building 3;

(xxiv) any costs which would duplicate a cost included in the Association charges payable by Tenant with respect to Parcel 3; and

(xxv) any premiums for any policy of earthquake insurance with respect to the Center or any portion thereof or any deductible amount under such policies.

10.5 Tenant shall pay its pro-rata share of the operating and maintenance costs described in Section 10.4 above. Tenant's pro-rata share of operating and maintenance costs for the Common Areas of the Center shall be the share of such costs allocated by the Association to Parcel 3 pursuant to the Declaration. Tenant's pro rate share of all other operating and maintenance costs shall be as follows: (i) costs related to repairs, maintenance, replacement and casualty insurance for Building 3 shall be allocated entirely to Tenant; (ii) if Landlord desires to increase the Existing Deductibles described in Section 10.4 (x) above and Tenant does not approve the increase, Landlord may obtain separate policies of property damage and liability insurance for the Outdoor and Common Areas on Parcel 3 to maintain the Existing Deductibles and the premiums for such insurance shall be allocated entirely to Tenant; (iii) costs related to any Shared Areas allocable to Parcel 3 pursuant to the Declaration shall be paid by Tenant in the proportion provided in the Declaration; (iv) costs related to all other Outdoor Areas on Landlord's Parcels shall be the ratio determined by dividing the square footage of Parcel 3 by the total square footage of all of Landlord's Parcels; and (v) notwithstanding the foregoing, operating costs which benefit only one or a portion of all of Landlord's Parcels shall be equitably allocated by Landlord only among the Parcels benefited either by GLA or Parcel square footage, as applicable in Landlord's reasonable business judgment. Landlord's estimate of Tenant's initial pro rata share based on current calculations as outlined above is that amount set forth in Paragraph 1(d) above.

10.6 As Additional Rent, Tenant shall pay Landlord monthly on the first day of each month, following the Commencement Date and continuing on the first day of each month thereafter during the Term hereof, an operating and maintenance charge in an amount estimated by Landlord to be Tenant's share of the "operating and maintenance costs".

The initial monthly operating and maintenance charge shall be the amount estimated by Landlord as set

forth in Paragraph 1(d). Landlord may adjust said monthly charge at the end of each calendar year thereafter on the basis of Landlord's reasonably anticipated costs for the following calendar year.

10.7 Within one hundred twenty (120) days after the end of each calendar year, Landlord shall furnish to Tenant a statement showing the total operating and maintenance costs, Tenant's share of such costs, and the total of the monthly payments made by Tenant to Landlord during the calendar year just ended. Landlord shall keep good and accurate books and records concerning the operation, maintenance and management of the Landlord's Parcels, and Tenant and its agents shall have the right, upon twenty (20) days' written notice given within nine (9) months after receipt of the statement for a calendar year, and at Tenant's sole cost and expense to audit, inspect and copy such books and records with respect to such calendar year at the office where the same are located. If such audit discloses that the annual statement has overstated the actual operating and maintenance expenses for the calendar year under review, Landlord shall rebate to Tenant the amount by which Tenant has been overcharged or, at Tenant's election, Tenant may offset such amount against operating and maintenance charges becoming due; and if the audit discloses that Landlord's annual statement has overstated such charges by more than five percent (5%), then, in addition to rebating to Tenant any overcharge, Landlord shall also pay the reasonable costs incurred by Tenant for such audit. If Landlord disputes the results of Tenant's audit, the parties shall submit the dispute for resolution by arbitration in accordance with the procedures set forth in Section 10.4 of the Declaration, which shall be deemed to be incorporated herein by this reference. The decision of the arbitrator shall be binding and conclusive on the parties.

10.8 If Tenant's share of the operating and maintenance costs for the accounting period exceeds the payments made by Tenant, Tenant shall pay Landlord the deficiency within ten (10) days after the receipt of Landlord's statement. If Tenant's payments made during the accounting period exceed Tenant's pro-rata share of the operating and maintenance costs, Tenant may deduct the amount of the excess from the estimated payments next due to Landlord. If a credit remains at the end of the Lease Term, such credit shall be refunded by Landlord to Tenant within twenty (20) business days thereafter. The obligations of Landlord and Tenant under this Section 10.8 shall survive the termination of this Lease.

ARTICLE 11. TRADE FIXTURES AND SURRENDER

11.1 Upon the expiration or sooner termination of the Term hereof, Tenant shall surrender the Premises including, without limitation, all apparatus and fixtures then upon the Premises, in good condition and repair, reasonable wear and tear excepted, broom clean and free of trash and rubbish, subject, however to the following:

a. Tenant shall remove all Alterations which Landlord has designated to be removed pursuant to Section 9.5 above and shall leave all Alterations which Landlord has designated pursuant to that Section must remain;

b. If no consent was required or obtained, Tenant shall either remove or leave all Alterations which Landlord prior to the end of the Term designates in writing to Tenant must be removed or left in place;

c. Tenant at its election may remove or leave all Alterations with respect to which Landlord has not made a designation as described in (a) or (b) above.

d. Tenant shall remove all of Tenant's Personal Property (as defined in Section 11.3 below).

e. Tenant shall repair all damage caused by removal of its Personal Property and any Alterations Tenant is permitted to remove.

Notwithstanding anything to the contrary herein, Tenant Improvements and any Special Tenant Improvements shall be the property of Landlord throughout the Term to the extent of the amount of the Tenant Improvement Allowance, and such improvements may not be removed by Tenant without Landlord's prior written consent. To the extent the costs of Tenant Improvements and/or Special Tenant Improvements exceed the Tenant Improvement Allowance, such improvements shall be owned by Tenant throughout the Term. At the end of the Term, all Tenant Improvements and Special Tenant Improvements which Tenant is not required to remove in

accordance with the terms hereof shall be surrendered by Tenant without any injury, damage or disturbance thereto, and Tenant shall not be entitled to any payment therefore.

11.2 Consistent with Section 4.7, Tenant shall notify Landlord in writing of the manner and means in which it will remove any and all Hazardous Substances used in the Premises during its occupancy. Tenant shall also certify in writing upon delivery of Premises to Landlord on the date of the Lease expiration that all Hazardous Substances were removed in accordance with all governmental and regulatory laws.

11.3 Moveable trade fixtures, furniture and other personal property (collectively, Tenant's "PERSONAL PROPERTY") installed in the Premises by Tenant at its cost shall be Tenant's property unless otherwise provided in Section 11.1 above and Tenant shall remove all of the same prior to the termination of this Lease and at its own cost repair any damage to the Premises and Parcel 3 caused by such removal. If Tenant fails to remove any of such property, Landlord may at its option retain such property as abandoned by Tenant and title thereto shall thereupon vest in Landlord, or Landlord may remove the same and dispose of it in any manner and Tenant shall, upon demand, pay Landlord the actual expense of such removal and disposition plus the cost of repair of any and all damage to said Premises and the building thereto resulting from or caused by such removal.

ARTICLE 12. DAMAGE OR DESTRUCTION

12.1 Except as otherwise provided in Section 12.2 below, if the Premises are damaged and destroyed by any casualty covered by fire and special extended coverage insurance policies which Landlord is required to provide pursuant to Article 14, Landlord shall repair such damage as soon as reasonably possible, to the extent of the available proceeds, and the Lease shall continue in full force and effect.

12.2 If the Premises are damaged or destroyed by any casualty covered by Landlord's fire and special extended coverage insurance policies which Landlord is required to provide pursuant to Article 14, to the extent of seventy-five percent (75%) or more of the replacement cost thereof, or to the extent of twenty-five percent (25%) or more of the replacement cost of the Premises if the damage occurs during the last twelve (12) months of the Term, or if the insurance proceeds which are received by Landlord, under the policies Landlord is required to provide, are not sufficient to repair the damage (specifically including any insufficiency due to payment of such proceeds to Landlord's lender, if required), then Landlord may, at Landlord's option, either (i) repair such damage as soon as reasonably possible, in which event this Lease shall continue in full force and effect, or (ii) cancel and terminate this Lease as of the date of the occurrence of such damage. Landlord shall deliver to Tenant written notice of Landlord's election within sixty (60) days after the date of the occurrence of the damage, which notice shall also specify the expected time to restore the Premises if Landlord elects to repair the damages.

See Addendum A-12.2.

12.3 If at any time during the Term the Premises are damaged and such damage was caused by a casualty not covered under the insurance policy Landlord is required to carry pursuant to Section 14.2, Landlord may, at its option, either (i) repair such damage as soon as reasonably possible at Landlord's expense, in which event this Lease shall continue in full force and effect, or (ii) cancel and terminate this Lease as of the date of the occurrence of such damage, by giving Tenant written notice of Landlord's election to do so within thirty (30) days after the date of occurrence of such damage, in which event this Lease shall so terminate unless within thirty (30) days thereafter Tenant agrees to repair the damage at its cost and expense or pay for Landlord's repair of such damage.

12.4 Notwithstanding anything to the contrary herein, if it is determined that the damage or destruction resulting from a casualty cannot be repaired within twelve (12) months following the date of casualty, Tenant may terminate this Lease by written notice delivered to Landlord within thirty (30) days following Tenant's receipt of Landlord's written notice given under Section 12.2 or 12.3 above.

12.5 In the event of any damage or destruction the Base Rent and all Additional Rent payable by Tenant hereunder shall be proportionately reduced from the date of casualty until the completion by Landlord of any repair or restoration pursuant to this Article 12 (provided that the abatement period shall not exceed twelve (12)

months). Said reduction shall be based upon the extent to which the damage or the making of such repairs or restoration shall interfere with Tenant's business conducted in the Premises.

12.6 Landlord shall in no event be required or obligated to repair, restore or replace any of Tenant's Personal Property. Landlord shall restore the Tenant Improvements and Special Tenant Improvements (if any) to the extent of insurance proceeds received by Landlord. In the event of a termination of this Lease pursuant to this Article 12, Landlord shall pay to Tenant from the proceeds of the insurance payable to Landlord with respect to the Tenant Improvements and Special Tenant Improvements an amount equal to the unamortized cost of Tenant's ownership interest in the Tenant Improvements and the Special Tenant Improvements.

12.7 In the event of a dispute by the parties regarding the extent of damage, duration of repair or rights of termination under Article 12 or 13 only of the Lease, either party can request arbitration within ninety (90) days after the date of the damage has occurred. In such event the dispute shall be resolved by arbitration in accordance with the procedures set forth in Section 10.4 of the Declaration. The decision of the arbitrator shall be binding and conclusive on the parties.

ARTICLE 13. EMINENT DOMAIN

13.1 If all or substantially all of the Premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain (or similar law authorizing the involuntary taking of private property, which shall include a sale in lieu thereof to a public body), either party hereto shall have the right, at its option, to terminate this Lease effective as of the date possession is taken by said authority, and Landlord shall be entitled to any and all income, rent, award and any interest thereon whatsoever which may be paid or made in connection with such public or quasi-public use or purpose. Tenant shall have no claim against Landlord for any portion of Landlord's award and shall not make a claim for the value of any unexpired term of this Lease.

13.2 If only a portion of the Premises is taken such that the Premises are still accessible and usable for the operation of Tenant's business, then this Lease shall continue in full force and effect and the proceeds of the award shall be used by Landlord to restore the remainder of the improvements on the Premises so far as practicable to a complete unit of like quality and condition to that which existed immediately prior to the taking, and all Rent payable by Tenant hereunder shall be reduced in proportion to the floor area of the Premises which is no longer available for Tenant's use. Landlord's restoration work shall not exceed the scope of work done by Landlord in originally constructing the Premises and the cost of such work shall not exceed the amount of the award received by Landlord with respect to the Premises.

13.3 Nothing hereinbefore contained shall be deemed to deny to Tenant its right to seek a separate award from the condemning authority for the unamortized costs of Tenant's ownership interest in the Tenant Improvements and Special Tenant Improvements, damage to its trade fixtures and personal property, relocation expenses or loss of goodwill.

ARTICLE 14. INSURANCE

14.1 Tenant shall, at all times during the Term hereof, at its expense, carry and maintain insurance policies in the amounts and in the form hereafter provided:

(a) COMMERCIAL LIABILITY AND PROPERTY DAMAGE: Commercial general liability insurance in an amount not less than One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) in the general aggregate of bodily injury and property damage insuring against liability of the insured with respect to the Premises or arising from the maintenance, use or occupancy thereof. All such insurance shall include contractual liability insurance for the bodily injury, personal injury and property damage liability assumed by Tenant in Article 16 hereof. Said insurance shall provide that Landlord is named as an additional insured and will have a "separation of insureds" clause. Landlord's recovery under Tenant's insurance as an additional insured shall apply to loss or damages resulting from Tenant's negligence and shall not be restricted due to any contributory negligence on the part of Landlord. However, Tenant's insurance shall not be responsible for loss or damage that is determined to be due to the sole negligence of Landlord. The insurance by this policy shall be primary insurance. The liability

insurance required to be provided by Tenant shall be applicable to claims incurred by reason of events with respect to the Premises or arising from the maintenance, use or occupancy thereof during the term of this Lease, regardless of when such claims shall be first made against Tenant and/or Landlord. Should any required liability insurance be written on a claims-made basis, Tenant shall continue to provide evidence of such coverage beyond the term of this Lease, for a period mutually agreed upon by Landlord and Tenant at the time of termination, but in no event for a period of less than five years. Not more frequently than once each year, if in the opinion of Landlord's lender or of the insurance consultant retained by Landlord, the amount of liability insurance coverage at that time is not adequate, Tenant shall increase the insurance coverage as either required by Landlord's lender or recommended by Landlord's insurance consultant.

(b) TENANT PERSONAL PROPERTY: Insurance covering all of Tenant's trade fixtures, merchandise and other personal property from time to time in the Premises in an amount equal to their full replacement cost from time to time, providing protection against the "risks of physical damage" as provided in the ISO Causes of Loss -- Special Form (CP 10 30), or equivalent insurance company form. The proceeds of such insurance shall, so long as this Lease remains in effect, be used to repair or replace the property damaged or destroyed, as determined by Tenant.

(c) WORKER'S COMPENSATION: Worker's Compensation insurance as required by the State of California.

(d) POLICY FORM: All insurance to be carried by Tenant hereunder shall be in companies, on forms and with loss payable clauses satisfactory to Landlord. The commercial liability and property damage insurance carried by Tenant pursuant to Section 14.1(a) above shall name Landlord, its managers, their officers, directors, partners, employees and agents as additional insureds. Each policy shall include a notice of cancellation to additional insured on the Additional Insured endorsement providing that no such policy shall be canceled except upon thirty (30) days advance notice to all additional insureds by the issuing company in the event of cancellation. Tenant shall have the right to maintain required insurance under blanket policies provided that Landlord and such parties as Landlord may reasonably designate from time are named therein as additional insureds (as to Tenant's liability policies)and that the coverage afforded Landlord will not be reduced or diminished by reason thereof, including self funded insurance reserves.

(e) EVIDENCE OF INSURANCE: Concurrent with delivery of possession of the Premises to Tenant, Tenant shall provide Landlord with the following evidence of insurance:

(i) Certificate evidencing that each of the insurance policies required in subparagraphs (a), (b) and (c) above are in full force and effect, and

(ii) A copy of the applicable provision or endorsement from each of Tenant's policies specifying that Landlord and the parties designated by Landlord are additional insureds, that the insurer recognizes the waiver of subrogation set forth in Article 15 hereof, and that the insurer agrees not to cancel the policy without the notice to Landlord specified in subparagraph (d) above.

14.2 Subject to reimbursement by Tenant as provided in Article 10 herein, Landlord shall obtain and keep in force during the term hereof, a policy or policies of insurance covering loss or damage to Building 3 and improvements on Landlord's Parcels. Landlord's insurance shall cover the "risks of physical damage" as provided in the ISO Causes of Loss -- Special Form (CP 10 30), or equivalent insurance company form, together with an endorsement providing for rental income insurance covering all Rent payable by Tenant hereunder for a period of twelve (12) months.

14.3 Landlord's policy described in Section 14.2 shall also insure all Tenant Improvements and Special Tenant Improvements for one hundred percent of the replacement cost thereof, with an agreed amount endorsement in lieu of coinsurance. Tenant shall pay to Landlord the cost of the insurance covering the Tenant Improvements and Special Tenant Improvements as provided in Article 10 herein. Tenant acknowledges that Landlord's insurance on the Tenant and Special Tenant Improvements will not include earthquake insurance. Upon Tenant's request, Landlord shall obtain such coverage at Tenant's sole cost and expense.

14.4 If Tenant shall fail to procure and maintain any insurance policy required herein, Landlord may (but shall not be obligated to), after reasonable written notice to Tenant procure the same on Tenant's behalf, and the cost of same shall be payable as Additional Rent within ten (10) business days after written demand therefore by Landlord. Tenant's failure to pay such Additional Rent shall constitute an Event of Default of this Lease, and Landlord may, without any further notice, exercise its remedies specified in Article 25 hereof.

ARTICLE 15. WAIVER OF SUBROGATION

Any fire and special extended coverage insurance and any other property damage insurance carried by either party with respect to Landlord's Parcels, the Common Areas, the Premises and property contained in the Premises or occurrences related to them shall include a clause or endorsement denying to the insurer rights of subrogation against the other party to the extent rights have been waived by the insured prior to occurrence of damage or loss. Each party, notwithstanding any provisions of this Lease to the contrary, waives any right of recovery against the other for injury or loss due to hazards covered by insurance containing such clause or endorsement to the extent that the damage or loss is covered by such insurance.

ARTICLE 16. RELEASE AND INDEMNITY

16.1 Tenant shall indemnify, defend and hold harmless Landlord against and from any and all claims, actions, damages, liability and expenses, including reasonable attorneys' fees, arising from or out of Tenant's use of the Premises or from the conduct of its business or from any activity, work, or other things done, permitted or suffered by the Tenant in or about the Premises or Tenant's reserved parking spaces. Tenant shall further indemnify, defend and hold Landlord harmless from any and all claims arising from any negligent act or omission or willful misconduct of Tenant, or any officer, agent, employee, contractor, guest, or invitee of Tenant, and from all costs, damages, attorneys' fees, and liabilities incurred in defense of any such claim of any action or proceeding brought thereon, including any action or proceeding brought against Landlord by reason of such claim. Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to property or injury to persons in the Premises, from any cause except to the extent arising out of or resulting from Landlord's (or its agents', employees' or contractors') negligent act or omission or willful misconduct. Tenant shall give prompt notice to Landlord in case of casualty or accidents in the Premises.

16.2 Landlord shall indemnify, defend and hold harmless Tenant against and from any and all claims, actions, damages, liability and expenses, including reasonable attorneys' fees, arising from or out of any activity, work, or other things done by Landlord, its agents, employees or contractors in or about the Outdoor Areas and Common Areas on Landlord's Parcels. Landlord shall further indemnify, defend and hold Tenant harmless from any and all claims arising from the negligent act or omission or willful misconduct of Landlord, or any officer, agent, employee, or contractor of Landlord while on any of Landlord's Parcels or Buildings, and from all costs, damages, attorneys' fees, and liabilities incurred in defense of any such claim of any action or proceeding brought thereon, including any action or proceeding brought against Tenant by reason of such claim.

16.3 Except to the extent arising out of or resulting from Landlord's negligent act or omission or willful misconduct, Landlord shall not be liable for injury or damage which may be sustained by the person, goods, wares, merchandise or property of Tenant, its employees, invitees or customers, or by any other person in or about the Premises caused by or resulting from fire, building vibrations or movement of floor slab, steam, electricity, gas, water or rain which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures of the same, whether said damage or injury results from conditions arising upon the Premises or from other sources. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant of the Building. Notwithstanding the foregoing, nothing contained herein shall limit any representations, warranties or covenants of Landlord set forth in this Lease, or any warranties provided with respect to work performed by Landlord's contractors. Further, notwithstanding the foregoing, the terms of Article 12 shall govern with respect to any events of casualty.

ARTICLE 17. INSOLVENCY, ETC. OF TENANT

17.1 The filing of any petition in bankruptcy whether voluntary or involuntary, or the adjudication of Tenant as bankrupt or insolvent, or the appointment of a receiver or trustee to take possession of all or substantially all of Tenant's assets, or an assignment by Tenant for the benefit of its creditors, or any action taken or suffered by Tenant under any State or Federal insolvency or bankruptcy act including, without limitation, the filing of a petition for or in reorganization, or the taking or seizure under levy of execution or attachment of the Premises or any part thereof, shall constitute a breach of this Lease by Tenant, and in any one or more of said events this Lease shall be deemed terminated to the extent such result is permitted by relevant bankruptcy laws and statutes.

17.2 Landlord shall be entitled, notwithstanding any provision of this Lease to the contrary, upon re-entry of the Premises in case of a breach under this Article, to recover from Tenant as damages, and not as a penalty, such amounts as are specified in Article 25, unless any statute governing the proceeding in which such damages are to be proved shall lawfully limit the amount thereof capable of proof, in which later event Landlord shall be entitled to recover as and for its damages the maximum amount permitted under said statute.

ARTICLE 18. PERSONAL PROPERTY AND OTHER TAXES

18.1 Tenant shall pay, before delinquency, any and all taxes and assessments, sales, use, business, occupation or other taxes, and license fees or other charges whatever levied, assessed or imposed upon its business operations conducted in the Premises. Tenant shall also pay, before delinquency, any and all taxes and assessments levied, assessed or imposed upon its equipment, furniture, furnishings, trade fixtures, merchandise and other personal property in, on or upon the Premises.

18.2 Tenant shall pay all taxes and assessments levied, assessed or imposed on Tenant's trade fixtures and its leasehold improvements, regardless of whether such improvements were installed and/or paid for by Tenant or by Landlord, and regardless of whether or not the same are deemed to be a part of the Building.

18.3 Tenant shall pay (or reimburse Landlord therefor forthwith on demand) any excise tax, gross receipts tax, or any other tax however designated, and whether charged to Landlord, or to Tenant, or to either or both of them, which is imposed on or measured by or based on the rentals to be paid under this Lease, or any estate or interest of Tenant, or any occupancy, use or possession of the Premises by Tenant.

18.4 Nothing hereinabove contained in this Article shall be construed as requiring Tenant to pay any inheritance, estate, succession, transfer, gift, franchise, income or profits tax or taxes imposed upon Landlord.

ARTICLE 19. SIGNS

Tenant shall not place, construct or maintain on the windows, doors or exterior walls or roof of the Premises or any interior portions that may be visible from the exterior of the Premises, any signs, advertisements, names, trademarks or other similar item without Landlord's consent, which consent shall not be unreasonably withheld or delayed so long as the signage Tenant installs complies with all Legal Requirements and the master sign program for the Center. Upon written notice from Landlord specifying the violation in reasonable detail, Tenant shall, at Tenant's cost, remove any item so placed or maintained which does not comply with the provisions of this Section. Landlord agrees that Landlord shall not install or permit the installation of signs or billboards on the exterior walls and/or the roof of the Premises.

See Addendum 32.25.

ARTICLE 20. ASSIGNMENT AND SUBLETTING

20.1 Subject to the terms of Section 20.4, Tenant shall not voluntarily, involuntarily, or by operation of law assign, transfer, hypothecate, or otherwise encumber this Lease or Tenant's interest therein, and shall not sublet nor permit the use by others of the Premises or any part thereof without first obtaining in each instance Landlord's written consent. If consent is once given by Landlord to any such assignment, transfer, hypothecation or subletting, such consent shall not operate as a waiver of the necessity for obtaining Landlord's consent to any subsequent

assignment, transfer, hypothecation or sublease, and no assignment shall release Tenant from any liability hereunder. Any such assignment or transfer without Landlord's consent shall be void and shall, at Landlord's option, constitute an Event of Default of this Lease. This Lease shall not, nor shall any interest therein, be assignable as to Tenant's interest by operation of law, without Landlord's express prior written consent.

20.2 The consent of Landlord required under Section 20.1 above shall not be unreasonably withheld or delayed. Should Landlord withhold its consent for any of the following reasons, the withholding shall be deemed to be reasonable:

(a) Conflict of the proposed use with other uses in the Building or Center;

(b) Financial inadequacy of the proposed subtenant or assignee;

(c) A proposed use which would diminish the reputation of the Center or the other businesses located therein;

(d) A proposed use which would have a detrimental impact on the common facilities or the other tenants in the Center.

20.3 Each assignee or transferee shall agree to assume and be deemed to have assumed this Lease and shall be and remain liable jointly and severally with Tenant for the payment of all rents due here under, and for the due performance during the term of all the covenants and conditions herein set forth by Tenant to be performed. No assignment or transfer shall be effective or binding on Landlord unless said assignee or transferee shall, concurrently, deliver to Landlord an assumption agreement by said assignee or transferee assuming all obligations of Tenant under this Lease.

20.4 Notwithstanding anything to the contrary herein, Landlord's consent shall not be required for any assignment, transfer or sublease to any entity which controls, is controlled by or under common control with Tenant, or to any entity resulting from a reorganization, merger or sale of substantially all of the assets of Tenant. The term "CONTROL" shall mean the ownership of at least 50% of the stock or assets of Tenant. Further, Landlord's consent shall not be required for any offering of the stock of Tenant on the public market or any open market transactions involving the stock of Tenant. If Tenant is not a publicly traded corporation, or if Tenant is an unincorporated association or a partnership, the transfer, assignment, or hypothecation or any stock or interest in such corporation, association or partnership in the aggregate of in excess of fifty percent (50%) shall be deemed an assignment within the meaning of this Article, except transfers in connection with Tenant becoming a publicly traded corporation. Tenant shall give Landlord prior written notice of all transfers, whether or not consent is required, and in no event shall Tenant be released from any of its obligations under this Lease.

20.5 If Tenant intends to assign this Lease and Landlord's consent to such assignment is required, Tenant shall give prior written notice to Landlord of each such proposed assignment or subletting specifying the proposed assignee or subtenant and the terms of such proposed assignment or sublease. Landlord shall, within fifteen (15) business days thereafter, notify Tenant in writing either, that (i) it consents (subject to any conditions of consent that may be imposed by Landlord) or does not consent to such transaction, or (ii) it elects to cancel this Lease in which event the parties would have no further obligations to each other except with respect to obligations which arose prior to the effective date of termination or which otherwise survive the termination of this Lease.

20.6 In the event of an assignment or subletting which requires Landlord's consent pursuant to this Article 20, Tenant shall assign to Landlord 75% of any and all consideration paid to Tenant directly or indirectly for the assignment by Tenant of its leasehold interest, and 75% of any and all subrentals payable by sublessees to Tenant which are in excess of the Rent payable by Tenant hereunder. Tenant's brokerage fees shall be paid by Tenant and deducted from excess proceeds on a pro rata basis monthly over the term of the sublease.

20.7 Tenant agrees to reimburse Landlord for Landlord's reasonable costs and attorneys fees' incurred in connection with the processing and documentation of any requested assignment, transfer, hypothecation or

subletting of this Lease aforesaid, whether or not such consent is granted, in an amount not to exceed $2500 in each instance.

ARTICLE 21. RIGHTS RESERVED BY LANDLORD

Subject to Tenant's reasonable security and trade secret requirements, upon reasonable prior notice, Landlord or its agents shall have the right to enter the Premises for the purposes of:

(a) Inspection of the Premises and the equipment therein, not to exceed once per calendar quarter (or not to exceed once per year for inspections of any clean room), except in the event of an emergency or unless a known problem exists or Landlord is responding to a third party complaint involving the Premises;

(b) Making repairs or improvements to the Premises and/or Building 3 which are the responsibility of Landlord under the terms of this Lease;

(c) Performing remodeling, construction or other work incidental to any portion of the Building 3, including, without limitation, the premises of another tenant adjacent to, above or below the Premises. Landlord agrees to coordinate the timing and staging of any major construction program with Tenant

(d) Showing the Premises to persons wishing to purchase or make a mortgage loan upon the same;

(e) Posting notice of non-responsibility;

(f) Posting "For Lease" signs and showing the Premises to persons wishing to rent the Premises during the last six (6) months of the term of this Lease.

ARTICLE 22. INTENTIONALLY DELETED

ARTICLE 23. RIGHT OF LANDLORD TO PERFORM

All covenants to be performed by Tenant hereunder shall be performed by Tenant at its sole cost and expense and without any abatement of any rent to be paid hereunder, subject to the terms and conditions set forth in this Lease. If Tenant shall fail to pay any sum, other than rent, required to be paid by it or shall fail to perform any other act on its part to be performed, and such failure shall continue beyond the applicable notice and grace period set forth in Article 25, Landlord may (but shall not be obligated to) and without waiving or releasing Tenant from any of its obligations, make any such payment or perform any such other act on Tenant's part to be made or performed as herein provided. All sums so paid by Landlord and all necessary incidental costs, together with interest at the Interest Rate from the date of such payment by Landlord shall be payable by Tenant as Additional Rent within thirty (30) days after Landlord's written demand therefor. Tenant's failure to pay such Additional Rent shall constitute an Event of Default of this Lease, and Landlord may, without any further notice, exercise its remedies specified in Article 25 hereof.

ARTICLE 24. LANDLORD DEFAULT

24.1 If Landlord shall be in default of any covenant of this Lease to be performed by it, Tenant, prior to exercising any right or remedy it may have against Landlord on account thereof, shall give Landlord a thirty (30) day written notice of such default, specifying the nature of such default. Notwithstanding anything to the contrary elsewhere in this Lease, Tenant agrees that if the default specified in said notice is of such nature that it can be cured by Landlord, but cannot with reasonable diligence be cured within said thirty (30) day period, then such default shall be deemed cured if Landlord within said thirty (30) days period shall have commenced the curing thereof and shall continue thereafter with all due diligence to cause such curing to proceed to completion.

24.2 If Landlord shall fail to cure a default of any covenant of this Lease to be performed by it within the time period provided in Section 24.1, the same shall be deemed an Event of Default by Landlord and, subject to Section 24.3, Tenant may pursue all remedies available at law or in equity and may recover all costs and expenses incurred by Tenant by reason of such default by Landlord. Notwithstanding the foregoing, if Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied solely out of the right, title and interest of Landlord in the Premises and its underlying realty and out of the rents, or other income from said property receivable by Landlord, or out of the consideration received by Landlord's right, title and interest in said property, but neither Landlord nor any partner or joint venture of Landlord shall be personally liable for any deficiency.

24.3 Tenant agrees to give any mortgagee and/or trust deed holders ("MORTGAGEE"), by registered mail, a copy of any notice of default served upon the Landlord, provided that prior to such notice Tenant has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise) of the address of such Mortgagee. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided for in this Lease, then the Mortgagee shall have an additional sixty (60) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary to cure such default shall be granted if within such sixty (60) days Mortgagee has commenced and is diligently pursuing the remedies necessary to cure such default (including, but not limited to, commencement of foreclosure proceedings, if necessary to effect such cure), in which event the Lease shall not be terminated while such remedies are being so diligently pursued.

ARTICLE 25. DEFAULT AND REMEDIES

25.1 The occurrence of any of the following shall constitute an "EVENT OF DEFAULT" under this Lease by Tenant:

(a) Any failure by Tenant to pay when due any of the Rent required to be paid by Tenant hereunder where such failure continues for five (5) business days after Tenant's receipt of written notice that the same is overdue;

(b) A failure by Tenant to observe and perform any other provision of this Lease to be observed or performed by Tenant where such failure continues for thirty (30) days after written notice thereof from Landlord; provided, that if the nature of such default is such that the same cannot with due diligence be cured within said period, Tenant shall not be deemed to be in default if it shall within said period commence such during and thereafter diligently prosecutes the same to completion;

(c) Any default by Tenant under any other lease between Landlord and Tenant for other premises in the Center;

(d) The abandonment or vacation of the Premises, provided that if Tenant has vacated the Premises and is actively seeking a subtenant or assignee, no default shall be deemed to exist under this Lease so long as Tenant is paying the Rent required to be paid hereunder; and

(e) Any other event herein specified to be an Event of Default under this Lease.

25.2 In the event of any Event of Default by Tenant as aforesaid, in addition to any and all other remedies available to Landlord at law or in equity, Landlord shall have the right to immediately terminate this Lease and all rights of Tenant hereunder by giving written notice to Tenant of its election to do so. If Landlord shall elect to terminate this Lease, then it may recover from Tenant:

(a) The worth at the time of the award of the unpaid rent payable hereunder which had been earned at the date of such termination; plus

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

(c) The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of the award exceeds the amount of such rental loss which Tenant proves could be reasonably avoided; plus

(d) Any other amounts necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations hereunder or which, in the ordinary course of affairs, would likely result therefrom; and

(e) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by applicable California law from time to time.

25.3 As used in subparagraphs (a) and (b) above, the "worth at the time of the award" is computed by allowing interest at the rate of twelve (12%) percent per annum (the "INTEREST RATE"). As used in subparagraph (c) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award plus one (1%) percent.

25.4 Following the occurrence of an Event of Default by Tenant, Landlord shall also have the right, with or without terminating this Lease, to re-enter the Premises and remove all property and persons therefrom, and any such property may be removed and stored in a public warehouse or elsewhere at the cost and for the account of Tenant, all in accordance with all Legal Requirements.

25.5 If Landlord (in accordance with California Civil Code Section 1951.4) shall elect to re-enter as above provided or shall take possession of the Premises pursuant to legal proceedings or pursuant to any notice provided by law, and if Landlord has not elected to terminate this Lease, Landlord may continue this Lease and may either recover all rental as it becomes due or relet the Premises or any part or parts thereof for such term or terms and upon such provisions as Landlord, in its sole judgment, may deem advisable and shall have the right to make repairs to and alterations of the Premises.

25.6 If Landlord shall elect to relet as aforesaid, then rentals received by Landlord therefrom shall be applied as follows:

(a) to the payment of any indebtedness of Tenant to Landlord other than rent due hereunder from Tenant;

(b) to the payment of all costs and expenses incurred by Landlord in connection with such reletting;

(c) to the payment of the cost of any alterations of and repairs to the Premises; and

(d) to the payment of rent due and unpaid hereunder and the residue, if any, shall be held by Landlord and applied in payment of future rent as the same may become due and payable hereunder.

In no event shall Tenant be entitled to any excess rental received by Landlord over and above that which Tenant is obligated to pay hereunder. Should that portion of such rentals received from such reletting during any month, which is applied to the payment of rent hereunder, be less than the rent payable hereunder during that month by Tenant, then Tenant shall pay such deficiency to Landlord forthwith upon demand, and said deficiency shall be calculated and paid monthly. Tenant shall also pay Landlord as soon as ascertained and upon demand, all costs and expenses incurred by Landlord in connection with such reletting and in making any such alterations and repairs which are not covered by the rentals received from such reletting.

25.7 No re-entry or taking possession of the Premises by Landlord under this Article shall be construed as an election to terminate this Lease unless a written notice of such intention is given to Tenant or unless the termination thereof be adjudged by a court of competent jurisdiction. Notwithstanding any reletting without termination by Landlord because of Tenant's default, Landlord may at any time after such reletting elect to terminate this Lease because of such default.

25.8 Nothing contained in this Article shall constitute a waiver of Landlord's right to recover damages by reason of Landlord's efforts to mitigate the damages to it caused by Tenant's default; nor shall anything in this Article adversely affect Landlord's right, as in this Lease elsewhere provided, to indemnification against liability for injury or damage to persons or property occurring prior to a termination of this Lease.

25.9 Subject only to Article 31, if Landlord shall retain an attorney for the purpose of collecting any rental due from Tenant or enforcing any other covenant of this Lease, Tenant shall pay the reasonable fees of such attorney for his services regardless of the fact that no legal proceeding or action may have been filed or commenced.

25.10 Any unpaid rent and any other sums due and payable hereunder by Tenant shall bear interest at the maximum lawful rate per annum from the due date and until payment thereof.

25.11 The terms "RENT," "RENT" and "RENTAL" as used herein and elsewhere in this Lease shall be deemed to be and mean the Base Rent, all Additional Rent, rental adjustments and any and all other sums, however designated, required to be paid by Tenant hereunder.

25.12 Tenant acknowledges that late payment by Tenant to Landlord of rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Landlord by the terms of any encumbrance and note secured by any encumbrance covering the Premises. Therefore, if any installment of rent due from Tenant is not received by Landlord when due more than once in any calendar year during the Term, Tenant shall pay to Landlord as additional rent an additional sum of six percent (6%) of the overdue rent as a late charge. The parties agree that this late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of late payment by Tenant. Acceptance of any late charge shall not constitute a waiver of Tenant's default with respect to the overdue amount, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord.

25.13 If Landlord shall retain a collection agency for the purpose of collecting any moneys due from Tenant arising out of an Event of Default hereunder, Tenant shall pay all fees of such collection agency for their services.

ARTICLE 26. PRIORITY OF LEASE AND ESTOPPEL CERTIFICATE

26.1 At Landlord's election, this Lease shall be either superior to or subordinate to any and all trust deeds, mortgages, or other security instruments, ground leases, or leaseback financing arrangements now existing or which may hereafter be executed covering the Premises and/or the land underlying the same or any part or parts of either thereof, and for the full amount of all advances made or to be made thereunder together with interest thereon, and subject to all the provisions thereof, all without the necessity of having further instruments executed by Tenant to effectuate the same. Tenant agrees to execute, acknowledge and deliver upon request by Landlord any and all documents or instruments which are or may be deemed necessary or proper by Landlord to more fully and certainly assure the superiority or the subordination of this Lease and to any such trust deeds, mortgages or other security instruments, ground leases, or leasebacks provided that as a condition to any such subordination and if this Lease shall be made subordinate to any future security instrument, any person or persons purchasing or otherwise acquiring any interest at a foreclosure sale under said trust deed, mortgages or other security instruments, or by termination of said ground leases or leasebacks, shall continue this Lease in full force and effect in the same manner as if such person or persons had been named as Landlord herein and this Lease shall continue in full force and effect as aforesaid, and Tenant shall automatically become the tenant of Landlord's successor in interest and shall attorn to said successor in interest. The words "PERSON" and "PERSONS" as used herein or elsewhere in this Lease shall mean individuals, partnerships, firms, associations and corporations.

See Addendum A-26.1.

26.2 Landlord and Tenant shall at any time and from time to time execute, acknowledge and deliver to the other party hereto, within ten (10) business days after such party's written request therefor, a written statement certifying as follows:

(a) that this Lease is unmodified and in full force (or if there has been modification thereof, that the same is in full force as modified and stating the nature thereof);

(b) that to the best of its knowledge, there are no uncured defaults or matters which, upon the passage of time and the giving of notice, or both, would constitute a default or breach by Tenant or Landlord, as applicable (or if such exist, the specific nature and extent);

(c) that no claims or defenses exist on the part of the certifying party and no events exist that would constitute a basis for such claim or defense (or if such exist, the specific nature and extent);

(d) the date to which any rents and other charges have been paid in advance, if any;

(e) such other matters which are reasonably requested by the requesting party with respect to the Lease and its status, including status of construction; and

(f) in the case of Tenant's certificate, that Tenant will not enter into any agreements or modification of the Lease without the prior written consent of the lender specified by Landlord, provided such consent would not be unreasonably withheld.

If Landlord or Tenant shall fail to execute and deliver any such statement to the requesting party within ten (10) business days, the requesting party may deliver a second written notice requesting the statement. If the party required to deliver the statement fails to make such delivery within five (5) business days following such second notice, the failure shall constitute an Event of Default hereunder entitling the requesting party to pursue available remedies as set forth in this Lease.

26.3 At Landlord's election, this Lease shall be subordinate to any and all encumbrances, covenants, restrictions, conditions and easements of record now existing or which hereafter may be executed ("RECORD MATTERS") covering the Premises and/or the land underlying the same or any parts thereof without the necessity of having further instruments executed by Tenant to effectuate the same, provided that any future encumbrances shall be subject to the provision of Section 26.1 above and any other Record Matters recorded after the date of this Lease shall not materially and adversely affect Tenant's use of the Premises. Landlord hereby confirms that it has no present knowledge of the existence of any encumbrances, covenants, restrictions, conditions or easements of record which now exist, or which will be recorded in the future with respect to Parcel 3, that would materially and adversely affect Tenant's use of the Premises other than those shown in the title report for Center attached hereto as Exhibit H.

ARTICLE 27. HOLDING OVER

If, without the execution of a new lease or written extension of this Lease, and with the consent of Landlord, Tenant shall hold over after the expiration of the Term of this Lease, Tenant shall be deemed to be occupying the Premises as a tenant from month-to-month, which tenancy may be terminated as provided by law. During said tenancy, the Base Rent payable to Landlord by Tenant shall be one hundred fifty percent (150%) of the Base Rent set forth in Article 3 of this Lease which is payable immediately preceding the date of expiration of this Lease, and upon all of the other terms, covenants and conditions set forth in this Lease so far as the same are applicable.

If Tenant shall holdover and fail to surrender the Premises upon the termination of this Lease without Landlord's consent, in addition to any other liabilities to Landlord arising therefrom, Tenant shall and does hereby agree to indemnify and hold Landlord harmless from loss or liability resulting from such failure including, but not limited to, claims made by any succeeding tenant founded on such failure.

ARTICLE 28. NOTICES

All notices, approvals, demands, consents or other communications required or permitted under this Lease shall be in writing and shall be deemed to have been given when personally served or received by certified mail,

postage prepaid, or on the next business day sent by telefax, Express Mail, Federal Express or similar reputable overnight delivery service, addressed to the appropriate party at the address indicated next to each party's signature below. Notwithstanding the foregoing, notices during the initial construction of the Premises relating to construction matters shall be governed by the provisions of Exhibit C.

ARTICLE 29. LIENS

29.1 Tenant shall pay all costs for work done by it or caused to be done by it in the Premises and Tenant shall keep the Premises and the Center free and clear of all mechanics' liens and other liens of account or work done for Tenant or persons claiming under it. Notwithstanding the foregoing, Tenant shall have no responsibility or liability with respect to liens filed with respect to the Base Building, and Tenant Improvements or any other work performed by Landlord pursuant to Article 8, Exhibit C or otherwise. Tenant agrees to and shall indemnify and hold Landlord harmless against liability, loss, damage, costs, attorneys' fees, and any other expenses on account of claims of liens of laborers or materialmen for work performed or materials or supplies furnished for Tenant or persons claiming under it. If any such lien shall attach to the Premises or the Center by reason of any work performed by Tenant, Tenant shall promptly, and in any event within twenty (20) days thereafter, discharge it as a matter of record or bond over it. If necessary to accomplish same, Tenant shall furnish and record a bond to insure the protection of Landlord, the Premises, and the Center (including all buildings located thereon or of which they form a part) from loss by virtue of any such lien.

29.2 Any bond furnished by Tenant pursuant to the provisions of Section 29.1 above shall be a lien release bond issued by a corporation authorized to issue surety bonds in the State of California in an amount equal to one and one-half the amount of such claim of lien. The bond shall meet the requirements of Civil Code Section 3143 and shall provide for the payment of any sum that the claimant may recover on the claim, together with said lien claimant's costs of suit if he recovers therein.

29.3 If a mechanics' lien which is Tenant's responsibility pursuant to Section 29.1 above has been filed, and Tenant shall not have discharged same of record within the time permitted by that Section, Landlord may (but shall not be obligated to) pay said claim and any costs, and the amount so paid, together with reasonable attorneys' fees incurred in connection therewith shall be payable by Tenant to Landlord as Additional Rent within five (5) days after written demand therefor. Tenant's failure to pay such Additional Rent shall constitute an Event of Default of this Lease, and Landlord may, without any further notice, exercise its remedies specified in Article 25 hereof.

29.4 Tenant shall, at least ten (10) days prior to commencing any work which might result in a lien as aforesaid, give Landlord written notice of its intention to commence such work, to enable Landlord to post, file and record a legally effective notice of non-responsibility. Landlord or its representatives shall have the right to enter into the Premises and inspect the same at all reasonable times, and shall have the right to post and keep posted thereon said notices of non-responsibility and such other notices as Landlord may deem proper to protect its interest therein.

ARTICLE 30. QUIET ENJOYMENT

Landlord agrees that Tenant, upon payment of the Base Rent, Additional Rent, and all other sums and charges required to be paid by Tenant hereunder, and the due and punctual performance of all of Tenant's other covenants and obligations under this Lease, shall have the quiet and undisturbed possession of the Premises.

ARTICLE 31. ATTORNEYS' FEES

Should either party hereto institute any action or proceeding in court to enforce any provision hereof or for damages or for declaratory or other relief hereunder, the prevailing party shall be entitled to receive from the losing party, in addition to court costs, such amount as the court may adjudge to be reasonable as attorneys' fees for services rendered to said prevailing party, and said amount may be made a part of the judgment against the losing party.

ARTICLE 32. MISCELLANEOUS

32.1 Nothing contained in this Lease shall be deemed or construed as creating a partnership or joint venture between Landlord and Tenant or between Landlord and any other party, or cause Landlord to be in any manner responsible for the debts or obligations of Tenant, or any other party. The covenants in this Lease are made between the parties to the Lease and shall not be deemed or construed as creating any rights in any other party claiming to be a third party beneficiary of this agreement.

32.2 If any provision of this Lease shall be determined to be void or voidable by any court of competent jurisdiction, such determination shall not affect any other provision of this Lease and all such other provisions shall remain in effect. It is the intention of the parties hereto that if any provision of this Lease is capable of two constructions, one of which would render the provision void or voidable and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid.

32.3 If Tenant hereunder is a corporation or partnership, the parties executing this Lease on behalf of Tenant represent and warrant to Landlord that: they are authorized to enter into this Lease; this Lease is executed in the usual course of business of Tenant and that neither the corporate Articles nor Bylaws of Tenant or any partnership agreement of Tenant, as the case may be, require the consent of its shareholders or partners, as applicable, thereto; Tenant is a valid and existing corporation or partnership, as applicable; all things necessary to qualify Tenant to do business in California have been accomplished prior to the date of this Lease; all franchise and other taxes have been paid to the date of this Lease; all forms, reports, fees, and taxes required to be filed or paid by Tenant in compliance with all Legal Requirements will be filed and paid when due.

32.4 The entire agreement between the parties hereto is set forth in this Lease, and any agreement hereafter made shall be ineffective to change, modify, alter or discharge it in whole or in part unless such agreement is in writing and signed by both parties hereto. It is further understood that there are no oral agreements between the parties hereto affecting this Lease, and that this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter of this Lease, and none of the same shall be available to interpret or construe this Lease. All negotiations and oral agreements acceptable to both parties hereto have been merged into and are included in this Lease.

32.5 Landlord reserves the absolute right to effect such other tenancies in the Center. Tenant does not rely on the fact nor does Landlord represent that any specific tenant or number of tenants shall during the term of this Lease occupy any space in any Building.

32.6 The laws of the State of California shall govern the validity, performance and enforcement of this Lease. Should either party institute legal suit or action for enforcement of any obligation herein, it is agreed that the venue of such suit or action shall be in Alameda County, California, and Tenant expressly consents to Landlord's designating Alameda County as the venue of any such suit or action.

32.7 A waiver of any breach or default shall not be a waiver of any other breach or default. Landlord's consent to or approval of, any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent similar act by Tenant. The acceptance by Landlord of any rental or other payments due hereunder with knowledge of the breach of any of the covenants of this Lease by Tenant shall not be construed as a waiver of any such breach. The acceptance at any time or times by Landlord of any sum less than that which is required to be paid by Tenant shall, unless Landlord specifically agrees otherwise in writing, be deemed to have been received only on account of the obligation for which it is paid, and shall not be deemed an accord and satisfaction notwithstanding any provisions to the contrary written on any check or contained in a letter of transmittal.

32.8 Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefore, failure of power, governmental restrictions, regulations or controls, enemy or hostile governmental action, riot, civil commotion, fire or other casualty, inclement weather beyond seasonal norm and other causes of a like nature beyond the reasonable control of the party obligated to

perform (any such event being "FORCE MAJEURE"), shall excuse the performance by such party for a period equal to any such prevention, delay or stoppage, except that Tenant's obligations to pay Rent and any other sums or charges specifically due and payable pursuant to this Lease shall not be affected thereby.

32.9 The term "LANDLORD" as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner or owners at the time in question of the Premises, and in the event of any transfer or transfers of title thereto, Landlord herein named (and in case of any subsequent transfers or conveyances, the then grantor) shall be automatically freed and relieved from and after the date of such transfer or conveyance of all liability as respects the performance of any covenants or obligations hereunder of the part of Landlord to be performed thereafter.

32.10 The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of the Landlord terminate all or any existing subleases and subtenancies, or may, at Landlord's option, operate as an assignment to it of any or all such subleases or subtenancies.

32.11 Although the printed provisions of this Lease were prepared and drawn by Landlord, this Lease shall not be construed either for or against Landlord or Tenant, but its construction shall be at all times in accord with the general tenor of the language so as to reach a fair and equitable result.

32.12 Except as otherwise expressly provided in this Lease, any and all "approvals", "consents" and "permissions" that either party is obligated or required to provide under this Lease shall not be unreasonably withheld or delayed.

32.13 Upon Landlord's written request not more often than once per year, Tenant shall promptly furnish to Landlord, from time to time, financial statements reflecting Tenant's current financial condition. If Tenant is a publicly held company, Tenant may furnish to Landlord Tenant's most recent publicly filed annual or quarterly report to satisfy this request.

32.14 Time is of the essence with respect to the performance of each of the covenants and agreements of this Lease.

32.15 Each and all of the provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and (except as set forth in Section 32.9 above and as otherwise specifically provided elsewhere in this Lease), their respective personal representatives, successors and assigns, subject at all times to all provisions and restrictions elsewhere in this Lease respecting the assignment, transfer, encumbering or subletting of all or any part of the Premises or Tenant's interest in this Lease.

See Addendum A-32.15.

32.16 Submission of this instrument by or on behalf of Landlord for examination or execution by Tenant does not constitute a reservation of or option for lease, and this instrument shall not be effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

32.17 The captions shown in this Lease are for convenience or reference only, and shall not, in any manner, be utilized to construe the scope or the intent of any provisions thereof.

32.18 This Lease shall not be recorded, but Tenant may record a short form Memorandum of this Lease at its expense and Landlord agrees to execute such a memorandum in a form reasonably approved by Landlord upon Tenant's request. In such event, upon Landlord's written request Tenant agrees to execute a quitclaim deed at the end of the term relinquishing any interest in the Premises.

32.19 Intentionally Deleted.

32.20 All agreements herein by Tenant, whether expressed as covenants or conditions, shall be deemed to be conditions for the purpose of this Lease.

32.21 The parties represent and warrant to each other that each has not dealt with any real estate agent other than Colliers International, as to Landlord, and The Staubach Company as to Tenant. Each agrees to indemnify and hold the other harmless from and against all loss, cost and expenses incurred by reason of the breach of such representation and warranty. Landlord shall be responsible for paying all commissions due, in accordance with the terms of a separate written agreement.

32.22 The terms of this Lease are confidential and constitute proprietary information of the parties. Neither party, nor its respective employees or agents, shall disclose the terms of this Lease to any other person without the prior written consent of the other party hereto, which consent may be withheld in such party's sole discretion. However, either party may disclose the terms of this Lease to its lenders, accountants and prospective transferees, provided that such lenders, accountants, and prospective transferees have a reasonable bona fide need to know such terms, and provided that the disclosing party ensures that such lenders, accountants and prospective transferees maintain the confidentiality of such terms. In addition, either party may disclose the terms of this Lease in litigation or other dispute resolution proceeding between Landlord and Tenant with respect to the Lease subject to the Lease being filed under seal if the filing of the document would otherwise make it publicly available and if the court approves of filing under seal, and: (i) pursuant to an order of a court of competent jurisdiction, provided that the disclosing party promptly notifies the other party of any motion to compel such disclosure and the disclosure order, and/or (ii) in order to comply with any applicable Securities Exchange Commission laws, rules or regulations, provided that the disclosing party notifies the other party of the fact that such disclosure will take place, subject, however, to the disclosing party in each of (i) and (ii), using commercially reasonable best efforts to limit the scope and extent of the disclosure.

32.23 The Addendum attached hereto is hereby made a part of this Lease.

See Addendum A-32.24-32.27.

WITNESS the signatures of the parties hereto, the day and year first above written.

LANDLORD:	TENANT:
GREENVILLE INVESTORS, L.P. By: Greenville Ventures, Inc. Title: General Partner	FORMFACTOR, INC., a Delaware corporation
By: /s/ William A. Drummond William A. Drummond Its: Vice President	By: /s/ Jens Meyerhoff Its: CFO
ADDRESS: 675 Hartz Avenue, Suite 300 Danville, CA 94526	ADDRESS: 2020 Research Drive Livermore, CA 94550

ADDENDUM TO LEASE

A-2.1 OPTIONS TO RENEW. Provided that no Event of Default by Tenant under this Lease exists as of the date of exercise of the applicable option or at the expiration of the initial term or preceding Option Term, and provided further that Tenant has not assigned this Lease, Tenant shall have the option to extend the initial lease term for four (4) additional, successive terms of five (5) years each (each, an "OPTION TERM"). Tenant shall exercise the option, if at all, by delivering to Landlord written notice of the exercise no sooner than fifteen (15) months nor later than twelve (12) months prior to the expiration of the initial Lease Term or preceding Option Term, as applicable. Tenant's right to exercise each option shall be conditioned upon Tenant delivering to Landlord with Tenant's notice of exercise, current financial reports which evidence that Tenant's financial condition on the date of exercise is equal to or better than Tenant's financial condition on the date of execution of this Lease. If Tenant's financial condition has declined in Landlord's business judgment, Landlord may refuse to accept Tenant's exercise unless Tenant agrees to provide a new Letter(s) of Credit with terms and amounts acceptable to Landlord in its business judgment to secure Tenant's obligations during the applicable Option Term.

All terms, provisions, conditions and covenants of this Lease shall remain in full force and effect during the Option Terms, provided that Tenant shall have no additional option periods and the Base Rent payable during the first Lease Year of each Option Term (and for increases during the Option Term, as applicable) shall be the market rate then prevailing as projected for the commencement of the applicable Option Term, for premises comparable in size, quality and location in comparable class R&D/Office buildings throughout the Tri-Valley/Livermore area taking into account all relevant factors (the "MARKET RENT"). Base Rent for the Option Term shall be determined prior to the commencement of the applicable Option Term in the following manner:

If Landlord and Tenant are unable to agree on the market rent within sixty (60) days after Tenant gives notice of its exercise of the Option Term, then Tenant shall have the right to revoke its exercise of the option by delivering written notice within ten (10) days following the expiration of such 60-day period. In the event of such revocation, Tenant shall forfeit all rights to thereafter exercise any option under this Lease and the Lease shall terminate at the end of the initial term, or then Option Term, as applicable. If Tenant does not revoke its exercise and elects to proceed with the determination of market rent, then the monthly Base Rent and Additional Rent payable during the Option Term shall be determined by appraisal in the following manner:

If Landlord and Tenant can agree on a single appraiser, then the rate set by such appraiser as set forth below shall be the Base Rent for the Option Term. If the parties cannot agree on a single appraiser, then each party, by giving written notice to the other party, shall appoint as an appraiser an experienced commercial real estate agent in the area in which the Premises are located. Said appointment shall be made within ten (10) days following the expiration of the sixty (60) day period aforesaid, and if one of the parties does not appoint an appraiser within that time, the single appraiser named shall be the sole appraiser and shall set the monthly Base Rent for the Option Term.

If the two appraisers are appointed as provided herein, each shall independently prepare an estimate of the market rent within sixty (60) days. If the higher of the two estimates so determined is within ten percent (10%) of the lower estimate, then the monthly Base Rent to be paid by Tenant during the Option Term shall be the average of the amounts determined by the appraisers. If the difference between the two estimates exceeds ten percent (10%) of the lower one, the two appraisers shall select a third appraiser meeting the qualifications set forth hereinabove within ten (10) days thereafter who will likewise independently estimate the market rate within sixty (60) days after the appointment. The average of the two closest appraisals shall be set as the monthly Base Rent.

Each party shall pay the fees of the appraiser appointed by such party and the parties will share equally the fees of any third appraiser appointed pursuant to this Section A-2.1.

Notwithstanding the above, the Base Rent payable by Tenant during each Option Term shall be in addition to all Additional Rent and other sums and charges payable by Tenant under the terms of this Lease.

Tenant acknowledges that the options granted herein are personal to Tenant and may not be assigned with an assignment of this Lease except in connection with an assignment to an entity which controls, is controlled by or is under common control with Tenant (as defined in Article 20 of this Lease) or which is a successor to Tenant by merger, consolidation or sale of substantially all of Tenant's assets with Landlord's prior written consent, not to be unreasonably withheld.

A-4.7.HAZARDOUS SUBSTANCES. Landlord hereby represents that it has, prior to the date of this Lease, provided to Tenant copies of all environmental reports in its possession, regarding the presence of Hazardous Substances at the Center or upon, around or under Parcel 3. Except as specifically disclosed in the reports delivered to Tenant, Landlord represents and warrants that to its actual knowledge, Landlord does not know of any Hazardous Substances in the Center. Landlord shall indemnify, defend and hold Tenant harmless for any claims, costs or liabilities (collectively, "Claims") arising out of or relating to any breach or misrepresentation by Landlord of the foregoing representation and warranty. Landlord's confidentiality obligations under Section 4.7 and its indemnity obligations pursuant to this Section A-4.7 shall survive the termination of this Lease.

A-4.8 DECLARATION. Notwithstanding the provisions of Section 4.8, Landlord shall not amend the Declaration in a manner which (i) reduces the number of Tenant's exclusive parking spaces on Parcel 3, (ii) restricts Tenant 's permitted use described in Article 4, (iii) adversely and materially affects Tenant's access to or from Parcel 3 and Lawrence Road or South Front Road or (iv) increases the share of Common Area Costs assessed against Parcel 3 or Parcel 3's proportionate share of Shared Maintenance Costs, without the prior written consent of Tenant which shall not be unreasonably withheld or delayed.

A-9.3 REPAIRS BY TENANT. Notwithstanding the provisions of Section 9.4, except to the extent necessary due to damage caused by the negligence of Tenant, its employees, agents or contractors, Tenant shall have no obligation to replace the HVAC system or any other essential building system serving Building 3 (specifically excluding any special HVAC system for Tenant's operations in the Premises, such as the HVAC serving any "clean room", the replacement of which shall be at Tenant's sole cost and expense) within the last eighteen (18) months of the Term. If any such replacement is necessary, Landlord and Tenant shall mutually agree on the type of equipment to be installed and a commercially reasonable cost sharing arrangement which will take into account the number of years of the useful life of such equipment or system which will occur following the expiration of the Term. If Tenant subsequently exercises an option to extend the Lease, however, the replacement shall be at Tenant's sole option, cost and expense and within thirty (30) days after Tenant's exercise of the option, Tenant shall reimburse Landlord for all amounts previously paid by Landlord for the system replaced.

A-9.5.TENANT EQUIPMENT/IMPROVEMENTS. The equipment Tenant initially intends to install in the Premises is described on Exhibit C attached hereto. If landlord wishes to require removal of any Tenant Improvements, Landlord shall designate as a part of its approval pursuant to the terms of Exhibit C of the plans for Tenant's Work, any Tenant Improvements and/or Special Tenant Improvements (if any) or equipment which Landlord will require Tenant to remove at the expiration of the Term. In connection with any such required removal by Tenant, Tenant shall repair all damage caused by such removal.

A-12.2. DAMAGE OR DESTRUCTION. If the Premises is damaged to an extent greater than 75% of its replacement cost, and Landlord has given Tenant notice of its election to terminate the Lease pursuant to Section 12.2, this Lease shall terminate upon the expiration of thirty (30) days after receipt by Tenant of such notice unless Tenant shall elect, by notice to Landlord within such 30-day period, to repair or restore the Premises. If Tenant so elects, this Lease shall continue in full force and effect and Tenant shall proceed to make repairs and restoration as soon as reasonably possible and the rent shall be abated as provided in Section 12.5 of the Lease. Subject to the rights of Landlord's lender, the proceeds of Landlord's insurance allocable to Building 3 and available for rebuilding shall be deposited into a construction escrow for the purpose of rebuilding and periodically disbursed to Tenant pursuant to procedures mutually agreed to by Tenant, Landlord and Landlord's lender. All costs in excess of the escrowed insurance proceeds shall be paid by Tenant. Notwithstanding the foregoing, Tenant shall not have the right to elect to rebuild unless there are at least five (5) full Lease Years remaining on the term of its Lease.

A-26.1. NON-DISTURBANCE AGREEMENT. Landlord shall use commercially reasonable efforts to obtain an agreement from Landlord's existing construction lender prior to the Delivery date to not disturb Tenant's possession under this Lease so long as Tenant is not in default of its obligations hereunder.

A-32.15. RESTRICTION ON SALE. Notwithstanding the provisions of Section 32.15 of the Lease, during the term of this Lease and provided that Tenant is not then in default of this Lease beyond any applicable cure period, Landlord shall not sell Parcel 3 or Building 3 to an entity on Tenant's competitor list which is attached hereto as Exhibit I without Tenant's prior written consent, which may be withheld in Tenant's sole discretion.

A-32.24. BUILDING SALE NOTICE RIGHTS. Landlord shall provide written notice to Tenant the first time Landlord responds in writing to a new interested third party to purchase Building 3, provided that Tenant is not then in default of this Lease beyond any applicable cure period. Landlord shall only be required to notify Tenant of third party interest one time with respect to the Building. Tenant shall have five (5) days to indicate its interest in negotiating a sale. Landlord may negotiate concurrently with Tenant and interested third party(ies). Landlord's obligation to notify Tenant as described herein shall in no way obligate Landlord to sell Building 3 to Tenant. Tenant's notice rights shall expire upon Landlord's execution of a sale agreement with a third party.

A- 32.25. PARKING. Parcel 3 has been allocated 117 parking stalls assuming that roll-up doors are not required by Tenant. Throughout the Term of the Lease, all parking on Parcel 3 shall be for Tenant's exclusive use. Tenant is also leasing from Landlord the buildings designated as "Building 1", "Building 2" and "Building 5" on Exhibit A. So long as Tenant's lease of Building 1 is in effect, Tenant may use a portion of the parking spaces on Parcel 1 in connection with its use of Building 3, so long as the Tenant's lease of Building 2 is in effect, Tenant may use a portion of the parking spaces on Parcel 2 in connection with its use of Building 3 and so long as the Tenant's lease of Building 5 is in effect, Tenant may use a portion of the parking spaces on Parcel 5 in connection with its use of Building 3.

A-32.26 SIGNAGE. All of Tenant' s signage at the Premises and Parcel 1 must be in accordance with the City-approved master sign program for the Center. The program provides 2' x 16' signage areas at each entry structure and a 2'6" x 5'0" signage area on a monument at the street in front of each building. Tenant's corporate logo and trade style are permitted to be used in accordance with the parameters of the sign program. Any additional signage outside the scope of the master signage program shall be subject to the approval of the Landlord (which shall not be unreasonably withheld) and the City of Livermore. Subject to City and Landlord's approval, Landlord shall permit Tenant to install a temporary sign or banner in the Center, in a location approved by Landlord, announcing the Center as Tenant's new headquarters location.

A-32.27 USE OF ROOF. Tenant acknowledges that Landlord has reserved the right to use the roof of Building 3, including the right to lease or license its use. Tenant and no employee or invitee of Tenant shall go upon the roof of the Building, except as otherwise expressly provided herein.

Tenant shall have the exclusive right to use 50% of the total area of the roof, in location(s) designated by Landlord and reasonably approved by Tenant, to install a satellite dish or cluster of dishes and ancillary telecommunications equipment in connection with Tenant's business operations. Tenant's roof use shall be on the following terms and conditions set forth herein. Subject to Applicable Laws, Tenant shall have the right to install or cause to be installed rooftop equipment ("ROOFTOP EQUIPMENT") pursuant to plans and specifications which shall be subject to Landlord's prior written approval, which shall not be unreasonably withheld or delayed on the roof of the Building, in a location as Landlord and Tenant may mutually agree. There shall be no additional charge payable by Tenant to Landlord for the use of such area or for the installation of the Rooftop Equipment. If the Rooftop Equipment is to be installed on the roof, Tenant shall notify Landlord in writing that the Rooftop Equipment is to be installed on the roof. Tenant shall be solely responsible for complying with (or causing its vendor to comply with) the requirements of such roof warranty or roof bond in connection with the installation, maintenance, repair, replacement or removal of the Rooftop Equipment. Tenant shall repair any damage to the roof caused by the installation, maintenance, repair, replacement or removal of the Rooftop Equipment. Landlord shall

permit Tenant reasonable access to the designated area as reasonably necessary to install, maintain and remove the Rooftop Equipment, and Tenant shall indemnify Landlord and be solely responsible, at Tenant's cost and expense, for the maintenance and repair of the Rooftop Equipment, and Landlord shall have no responsibility with respect thereto unless the same was made necessary by the negligence or willful act of Landlord or Landlord's Agents. Tenant hereby agrees to defend, indemnify and hold Landlord harmless form any mechanics or materialmen's liens upon the Premises or the Center which result from work associated with the installation of the Rooftop Equipment. Tenant shall obtain all licenses or approvals required to install and operate the Rooftop Equipment. The Rooftop Equipment shall remain the property of Tenant and upon expiration of the Lease, Tenant shall remove the Rooftop Equipment and repair the Premises and any damage to the area upon which the Rooftop Equipment was located to the original condition, normal wear and tear excepted. Landlord shall have the right to request that Tenant relocate the Rooftop Equipment, if necessary, at Landlord's sole cost and expense to facilitate Landlord's use of the roof. Tenant covenants that the Rooftop Equipment will be installed, maintained and removed in accordance with all Applicable Requirements. Tenant shall be responsible for all damage caused by the installation, maintenance, repair and/or removal of Tenant's Rooftop Equipment. Tenant's access to the roof to exercise its rights hereunder shall be subject to Landlord's prior approval, which shall not be unreasonably withheld, provided that Tenant exercises such access rights in a manner that does not void any roof warranty. Tenant's Rooftop Equipment shall not interfere with the operation of any existing roof top equipment which has been installed on the portion of the roof used by Landlord. Landlord shall not install or permit the installation of any rooftop equipment which will interfere with any Rooftop Equipment for which Tenant has submitted installation plans to Landlord or which Tenant has previously installed on the portion of the roof for Tenant's use.

EXHIBIT A

SITE PLAN

EXHIBIT B

CENTER LEGAL DESCRIPTION AND PLAT MAP

REAL PROPERTY IN THE City of Livermore, County of Alameda, State of California, described as follows:

Parcels 1 through 8 as shown on Parcel Map No. 7624, filed December 12, 2000, in Book 254 of Maps at Pages 73 through 82, Alameda County Records.

EXHIBIT C

WORK LETTER

This Work Letter sets forth the terms and conditions relating to the construction of the Premises.

SECTION 1

INITIAL CONSTRUCTION OF THE BUILDING AND THE PREMISES

1.1 BASE BUILDING. Landlord shall construct the "Base Building" at Landlord's sole cost and expense; provided that any modifications to the Base Building required by the Tenant Improvement Work described below shall be deemed to be Tenant Improvements. The Base Building shall be constructed in accordance with the plans for such improvements listed on the plan list attached as Schedule 1 to this Exhibit C (the "Plan List") provided that Landlord, shall not be responsible to install the 2000 amp, 480/277 volt, 3 phase electrical service with main switch in the electrical room described in such plans. The electrical service work for the Building will be performed by Tenant in accordance with the Approved Tenant Improvement Plans. The Base Building shall include, without limitation:

a) Fully enclosed tilt-up concrete building(s) with 5" thick concrete slab and grade doors as shown on the construction drawings listed in the Plan List;

b) Water and gas service stubbed into the Building;

c) A sanitary sewer gut line as shown on the construction drawings;

d) Four (4) 4" telephone conduits and 8' x 8' plywood terminal board in the electrical room; and

e) Fire sprinklers at roof to meet Legal Requirements for the Building shell.

1.2 SPECIAL TENANT IMPROVEMENTS. In addition to the Base Building, Landlord shall also obtain all necessary permits and approvals for and shall construct those improvements specifically described in Architect's Bulletin No. 4 dated February 2, 2001 (the "BULLETIN") and prepared by Ware Malcomb Architects, which Bulletin has been approved by Landlord and is attached hereto (the "SPECIAL TENANT IMPROVEMENTS"). Prior to the date hereof Tenant has paid to Landlord $135,000 representing the estimated cost of the Special Tenant Improvements. In the event the actual cost of completing the Special Tenant Improvements exceeds $135,000 the remainder shall be charged against the Tenant Improvement Allowance. If the actual cost is less than $135,000, the remainder shall be promptly refunded to Tenant.

1.3 PARCEL 3 IMPROVEMENTS. Landlord shall construct the site improvements on Parcel 3 at Landlord's sole cost and expense in accordance with the plans for such improvements listed on the Plan List. The site improvements shall include, without limitation, site concrete, asphalt paving, striping, exterior lighting, site utilities and landscaping.

1.4 LANDLORD'S WORK. "LANDLORD'S WORK" shall mean all work to be constructed by Landlord described in Sections 1.1, 1.2 and 1.3 above.

1.5 TENANT'S WORK. "TENANT'S WORK" will include designing, providing and installing all Tenant Improvements (defined hereafter) and providing the required furnishings, fixtures and equipment for Tenant's use of the Premises. As used in this Lease, the term "TENANT IMPROVEMENTS" shall mean all improvements set forth in the Approved Tenant Improvement Plans. Tenant shall obtain all necessary permits and approvals for and shall construct the "TENANT IMPROVEMENTS" in accordance with the Approved Tenant Improvement Plans (as defined in Section 2.4 below). Landlord will disburse the Tenant Improvement Allowance described in Section 4 below to pay for Tenant Improvement Costs (defined hereafter). All such costs of completing Tenant's Work which are in excess of the Tenant Improvement

Allowance shall be paid by Tenant pursuant to the terms of the Lease and this Work Letter.

SECTION 2

TENANT IMPROVEMENT PLANS

2.1 ARCHITECT/CONSTRUCTION PLANS. Tenant has retained CAS Architects, Inc. (the "Architect") to prepare the construction plans for all Tenant Improvements and Special Tenant Improvements. Tenant shall retain engineering consultants (the "Engineers") approved by Landlord (which approval shall not be unreasonably withheld or delayed) to prepare all plans and engineering working drawings relating to the Tenant Improvements, including without limitation, all structural, HVAC, electrical, plumbing, life safety, and sprinkler work in the Premises which is not part of the Base Building. The final working plans and drawings to be prepared by Architect and the Engineers hereunder shall be known collectively as the "Tenant Improvement Plans". The scope, form and content of all plans and drawings shall be discussed in reasonable detail at each of the weekly meetings held pursuant to the terms of Section 3.2.6 below. All Tenant Improvement Plans shall be in a form suitable for bidding and construction by qualified contractors, shall meet the requirements of the City of Livermore, and shall be subject to Landlord's approval, which shall not be unreasonably withheld or delayed. Tenant and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the Base Building plans, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Landlord's review of the Tenant Improvement Plans as set forth in this Section 2, shall be for its sole purpose and shall not obligate Landlord to review the same, for quality, design, code compliance or other like matters. Accordingly, notwithstanding that any Tenant Improvement Plans are reviewed by Landlord or its architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Tenant Improvement Plans, and Tenant's waiver and indemnity set forth in Section 16 of this Lease shall specifically apply to the Tenant Improvement Plans.

2.2 FINAL DESIGN DRAWINGS. Tenant and the Architect shall prepare the final design drawings and specifications for Tenant Improvements in the Premises (collectively, the "Final Design Drawings") and shall deliver the same to Landlord for Landlord's approval. The Final Design Drawings shall include a layout and designation of all offices, rooms and other partitioning. Landlord may request clarification or more specific drawings for special use items not included in the Final Design Drawings. Landlord shall advise Tenant within five (5) business days after Landlord's receipt of the Final Design Drawings for the Premises if the same are unsatisfactory or incomplete in any respect. If Tenant is so advised, Tenant shall promptly cause the Final Design Drawings to be revised to correct any deficiencies or other matters Landlord may reasonably require.

2.3 FINAL WORKING DRAWINGS. After the Final Design Drawings have been approved by Landlord, Tenant shall promptly cause the Architect and the Engineers to complete the architectural and engineering drawings for the Premises, and Architect shall compile a fully coordinated set of architectural, structural, mechanical, electrical and plumbing working drawings in a form which is sufficiently complete to allow subcontractors with a reasonable level of competence and experience in the industry to bid on the work and to obtain all permits required for the construction of the Tenant Improvements (the "PERMITS") and shall submit the same (collectively, the "FINAL WORKING DRAWINGS") to Landlord for Landlord's approval, which approval shall not be unreasonably withheld or delayed. Tenant shall supply Landlord with three (3) copies signed by Tenant of such Final Working Drawings. Landlord shall advise Tenant within five (5) business days after Landlord's receipt of the Final Working Drawings for the Premises if the same are unsatisfactory or incomplete in any respect. If Tenant is so advised, Tenant shall promptly cause the Final Working Drawings to be revised in accordance with such review and any disapproval of Landlord in connection therewith.

2.4 APPROVED TENANT IMPROVEMENT PLANS. The Final Working Drawings shall be approved by Landlord (the "Approved Tenant Improvement Plans") prior to the commencement of construction of the Tenant Improvements by Tenant. In order to expedite the permitting process, however, prior to Landlord's

approval pursuant to Section 2.3 above, Tenant may submit the Final Working Drawings to the appropriate municipal authorities for all Permits necessary to allow Landlord's contractor to commence and fully complete the construction of the Tenant Improvements. Notwithstanding the foregoing, Tenant acknowledges that Landlord does not waive the right to approve the Final Working Drawings and by electing to submit the Final Working Drawings for permit prior to Landlord's approval, Tenant is assuming the risk that Landlord may require changes in such drawings after the same have been submitted for permits. Tenant hereby agrees that neither Landlord nor Landlord's consultants shall be responsible for obtaining any of the Permits or a certificate of occupancy for the Premises and that obtaining the same shall be Tenant's responsibility; provided, however, that Landlord shall cooperate with Tenant in executing permit applications and performing other ministerial acts reasonably necessary to enable Tenant to obtain any such permit or certificate of occupancy. No changes, modifications or alterations in the Approved Tenant Improvement Plans may be made without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed, provided that if a proposed change would directly or indirectly delay the "SUBSTANTIAL COMPLETION" of Landlord's Work as that term is defined in Article 8 of the Lease, Landlord may proceed to establish a Tenant Delay pursuant to Section 5 hereof.

SECTION 3

CONSTRUCTION OF TENANT IMPROVEMENTS

3.1 TENANT'S SELECTION OF CONTRACTORS.

3.1.1 TENANT'S CONTRACTOR. A general contractor shall be retained by Tenant to construct the Tenant Improvements. Such general contractor ("TENANT'S CONTRACTOR") shall be subject to Landlord's prior approval, which approval shall not be unreasonably withheld or delayed.

3.1.2 TENANT'S AGENTS. All subcontractors, laborers, materialmen, and suppliers used by Tenant (such subcontractors, laborers, materialmen, and suppliers, and Tenant's Contractor to be known collectively as "TENANT'S AGENTS") must be approved in writing by Landlord, which approval shall not be unreasonably withheld or delayed. If Landlord does not approve any of Tenant's proposed subcontractors, laborers, materialmen or suppliers, Tenant shall submit other proposed subcontractors, laborers, materialmen or suppliers for Landlord's written approval. Notwithstanding the foregoing, Tenant shall retain subcontractors designated or reasonably approved by Landlord in connection with any structural, mechanical, electrical, plumbing or heating, air-conditioning or ventilation work to be performed in the Premises. Further Landlord's approval shall not be required for any of Tenant's Agents performing work or providing materials costing less than $10,000.

3.2 CONSTRUCTION OF TENANT IMPROVEMENTS BY TENANT'S AGENTS.

3.2.1 TENANT'S CONSTRUCTION CONTRACT; COST BUDGET. Prior to Tenant's execution of the construction contract and general conditions with Tenant's Contractor ("TENANT'S CONSTRUCTION Contract"), Tenant shall submit Tenant's Construction Contract to Landlord for its approval, which approval shall not be unreasonably withheld or delayed. Prior to the commencement of the construction of the Tenant Improvements, and after Tenant has accepted all bids for the Tenant Improvements, Tenant shall provide Landlord with a detailed breakdown, by trade, of the final costs to be incurred or which have been incurred in connection with the design and construction of the Tenant Improvements to be performed by or at the direction of Tenant or Tenant's Contractor, which costs form a basis for the amount of Tenant's Construction Contract (the "Final Costs"). If the costs of the Tenant Improvements exceed the Tenant Improvement Allowance, Tenant shall also provide Landlord with its computation of percentage that the Tenant Improvement Allowance bears to the total costs of the Tenant Improvements (the "ALLOWANCE PERCENTAGE")

3.2.2 TENANT'S AGENTS.

A. Landlord's General Terms for Tenant's Agents and Tenant Improvement Work. Tenant's and Tenant's Agent's construction of the Tenant Improvements shall comply with the following:

(i) the Tenant Improvements shall be constructed in accordance with the Approved Tenant Improvement Plans; (ii) Tenant's Agents shall submit schedules of all work relating to the Tenant Improvements to Tenant's Contractor and Tenant's Contractor shall, within five (5) business days of receipt thereof, inform Tenant's Agents of any changes which are necessary thereto, and Tenant's Agents shall adhere to such corrected schedule; and (iii) Tenant shall abide by all rules made by Landlord with respect to storage of materials, coordination of work with the contractors of other tenants and Landlord, and any other matter in connection with this Work Letter, including, without limitation, the construction of the Tenant Improvements.

B. Indemnity. Tenant's indemnity of Landlord as set forth in Section 16.1 of this Lease shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to any act or omission of Tenant or Tenant's Agents, or anyone directly or indirectly employed by any of them, or in connection with Tenant's non-payment of any amount arising out of the Tenant Improvements and/or Tenant's disapproval of all or any portion of any request for payment. Such indemnity by Tenant, as set forth in Section 16.1 of this Lease, shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to Landlord's performance of any ministerial acts reasonably necessary (i) to permit Tenant to complete the Tenant Improvements, and (ii) to enable Tenant to obtain any building permit or certificate of occupancy for the Premises.

C. Requirements of Tenant's Agents. Each of Tenant's Agents shall guarantee to Tenant and for the benefit of Landlord that the portion of the Tenant Improvements for which it is responsible shall be free from any defects in workmanship and materials for a period of not less than one (1) year from the date of completion thereof. Each of Tenant's Agents shall be responsible for the replacement or repair, without additional charge, of all work done or furnished in accordance with its contract that shall become defective within one (1) year after the later to occur of (i) completion of the work performed by such contractor or subcontractors and (ii) the Lease Commencement Date. The correction of such work shall include, without additional charge, all additional expenses and damages incurred in connection with such removal or replacement of all or any part of the Tenant Improvements, and/or the Building and/or common areas that may be damaged or disturbed thereby. All such warranties or guarantees as to materials or workmanship of or with respect to the Tenant Improvements shall be contained in the Contract or subcontract and shall be written such that such guarantees or warranties shall inure to the benefit of both Landlord and Tenant, as their respective interests may appear, and can be directly enforced by either. Tenant covenants to give to Landlord any assignment or other assurances which may be necessary to effect such right of direct enforcement.

D. Insurance Requirements.

1. General Coverages. All of Tenant's Agents shall carry worker's compensation insurance covering all of their respective employees, and shall also carry public liability insurance, including property damage, all with limits, in form and with companies as are required to be carried by Tenant as set forth in Article 14 of this Lease.

2. Special Coverages. Tenant shall carry "Builder's All Risk" insurance in an amount approved by Landlord covering the construction of the Tenant Improvements, and such other insurance as Landlord may require, it being understood and agreed that the Tenant Improvements shall be insured by Landlord pursuant to Article 14 of this Lease upon completion thereof. Tenant's policy of Builder's All Risk insurance shall be in amounts and shall include such extended coverage endorsements as may be reasonably required by Landlord including, but not limited to, the requirement that all of Tenant's Agents shall carry Excess Liability and Products and Completed Operation Coverage insurance, each in amounts not less than $1,000,000 per incident, $2,000,000 in aggregate, and in form and with companies as are required to be carried by Tenant as set forth in Article 14 of this Lease.

3. General Terms. Certificates for all insurance carried pursuant to this Section 3.2.2(D) shall be delivered to Landlord before the commencement of construction of the Tenant Improvements and before the equipment of Tenant's Contractor is moved onto the site. All such policies of insurance must contain a provision that the company writing said policy will give Landlord thirty (30)

days' prior written notice of any cancellation or lapse of the effective date or any reduction in the amounts of such insurance. In the event that the Tenant Improvements are damaged by any cause during the course of the construction thereof, Tenant shall immediately repair the same at Tenant's sole cost and expense. Tenant's Agents shall maintain all of the foregoing insurance coverage in force until the Tenant Improvements are fully completed and accepted by Landlord, except for any Products and Completed Operation Coverage insurance required by Landlord, which is to be maintained for ten (10) years following completion of the work and acceptance by Landlord and Tenant. All policies carried under this Section 3.2.2(D) shall insure Landlord and Tenant, as their interests may appear, as well as Tenant's Contractor and Tenant's Agents. All insurance, except Workers' Compensation, maintained by Tenant's Agents shall preclude subrogation claims by the insurer against anyone insured thereunder. Such insurance shall provide that it is primary insurance as respects the Landlord and that any other insurance maintained by Landlord is excess and noncontributing with the insurance required hereunder. The requirements for the foregoing insurance shall not derogate from the provisions for indemnification of Landlord by Tenant under Section 3.2.2(B) of this Work Letter.

3.2.3 GOVERNMENTAL COMPLIANCE. The Tenant Improvements shall comply in all respects with the following: (i) all building codes and other state, federal, city or quasi-governmental laws, codes, ordinances and regulations, as each may apply according to the rulings of the controlling public official, agent or other person; (ii) applicable standards of the American Insurance Association (formerly, the National Board of Fire Underwriters) and the National Electrical Code; and (iii) building material manufacturer's specifications.

3.2.4 MECHANIC'S LIENS. Tenant shall keep the Premises and the Center free and clear of mechanics' liens arising out of its construction of Tenant's Work as provided in Article 29. All provisions of Article 29 shall apply to Tenant's Work as if fully set forth into this Work Letter.

3.2.5 INSPECTION BY LANDLORD. Landlord shall have the right to inspect the Tenant Improvements at all times, provided however, that Landlord's failure to inspect the Tenant Improvements shall in no event constitute a waiver of any of Landlord's rights hereunder nor shall Landlord's inspection of the Tenant Improvements constitute Landlord's approval of the same. Should Landlord reasonably disapprove any portion of the Tenant Improvements, Landlord shall notify Tenant in writing of such disapproval and shall specify the items disapproved. Any material defects or deviations in, and/or disapproval by Landlord of, the Tenant Improvements shall be rectified by Tenant at no expense to Landlord, provided however, that in the event Landlord determines that a defect or deviation exists or disapproves of any matter in connection with any portion of the Tenant Improvements and such defect, deviation or matter might adversely affect the mechanical, electrical, plumbing, heating, ventilating and air-conditioning or life-safety systems of the Building, the structure or exterior appearance of the Building or any other tenant's use of such other tenant's leased premises, Landlord after giving Tenant at least three (3) business days advance written notice and an opportunity to cure or otherwise demonstrate compliance, may take such action as Landlord deems necessary, at Tenant's expense and without incurring any liability on Landlord's part, to correct any such defect, deviation and/or matter, including, without limitation, causing the cessation of performance of the construction of the Tenant Improvements until such time as the defect, deviation and/or matter is corrected to Landlord's satisfaction.

3.2.6 MEETINGS. Commencing upon the execution of this Lease, Tenant shall hold weekly meetings at a reasonable time, with the Architect and the Tenant's Contractor regarding the progress of the preparation of the Tenant Improvement Plans and the construction of the Tenant Improvements, and Landlord and/or its agents shall receive prior notice of, and shall have the right to attend, all such meetings, and, upon Landlord's request, certain of Tenant's Agents shall attend such meetings. Such meetings shall include a detailed review of the plans, drawings and specifications prepared to date and all participants in the meeting shall make a good faith effort to raise any issues or concerns they may have regarding the scope, form or content of any plan submitted.

3.3 NOTICE OF COMPLETION; COPY OF RECORD SET OF PLANS. Within ten (10) days after completion of construction of the Tenant Improvements, Tenant shall cause a Notice of Completion with respect to the Tenant Improvements to be recorded in the office of the Recorder of the County of Alameda in accordance

with Section 3093 of the Civil Code of the State of California or any successor statute, and shall furnish a copy thereof to Landlord upon such recordation. If Tenant fails to do so, Landlord may execute and file the same on behalf of Tenant as Tenant's agent for such purpose, at Tenant's sole cost and expense. At the conclusion of construction, (i) Tenant shall cause the Architect and Tenant's Contractor (A) to update the Approved Working Drawings as necessary to reflect all changes made to the Approved Working Drawings during the course of construction, (B) to certify to the best of their knowledge that the "record-set" of mylar as-built drawings are true and correct, which certification shall survive the expiration or termination of this Lease, and (C) to deliver to Landlord two (2) sets of copies of such record set of drawings within ninety (90) days following issuance of a certificate of occupancy for the Premises, and (ii) Tenant shall deliver to Landlord a copy of all warranties, guaranties, and operating manuals and information relating to the improvements, equipment, and systems in the Premises.

SECTION 4

TENANT IMPROVEMENT ALLOWANCE; CONSTRUCTION COSTS

4.1 TENANT IMPROVEMENT ALLOWANCE. Tenant shall be entitled to a one-time tenant improvement allowance (the "Tenant Improvement Allowance") in the amount of $25.00 per square foot of the Premises GLA for the costs relating to the initial design and construction of the Tenant Improvements. In no event shall Landlord be obligated to make disbursements pursuant to this Work Letter in a total amount which exceeds the Tenant Improvement Allowance.

4.2 DISBURSEMENT OF THE TENANT IMPROVEMENT ALLOWANCE.

4.2.1 TENANT IMPROVEMENT ALLOWANCE ITEMS. Except as otherwise set forth in this Work Letter, the Tenant Improvement Allowance shall be disbursed by Landlord only for the following items and costs (collectively the "Tenant Improvement Allowance Items"):

A. Payment of the fees of the Architect and the Engineers

B. The payment of plan check, permit and license fees relating to construction of the Tenant Improvements;

C. The cost of construction of the Tenant Improvements, including, without limitation, testing and inspection costs, utility usage, trash removal costs, and contractors' fees and general conditions;

D. The cost of any changes in the Base Building when such changes are required by the Tenant Improvement Plans, such cost to include all direct architectural and/or engineering fees and expenses incurred in connection therewith;

E. The cost of any changes to the Tenant Improvement Plans or Tenant Improvements required by Code; and

F. A Landlord coordination fee for Building 3 of Twenty Two Thousand ($22,000).

4.2.2 DISBURSEMENT OF TENANT IMPROVEMENT ALLOWANCE. During the construction of the Tenant Improvements, Landlord shall make monthly disbursements of the Tenant Improvement Allowance for Tenant Improvement Allowance Items:

A. Monthly Disbursements. No more frequently than monthly, during the construction of the Tenant Improvements (or such other date as Landlord may designate), Tenant shall deliver to Landlord: (i) a request for payment of Tenant's Contractor, approved by Tenant, in a form to be provided by Landlord, showing the schedule, by trade, of percentage of completion of the Tenant

Improvements in the Premises, detailing the portion of the work completed and the portion not completed; (ii) invoices from all of Tenant's Agents, for labor rendered and materials delivered to the Premises; (iii) executed mechanic's lien releases from all of Tenant's Agents which shall comply with the appropriate provisions, as reasonably determined by Landlord, of California Civil Code Section 3262(d); and (iv) all other information reasonably requested by Landlord. Tenant's request for payment shall be deemed Tenant's approval of the work furnished and/or the materials supplied as set forth in Tenant's payment request. After receipt of the foregoing and provided that Landlord does not dispute any request for payment based on non-compliance of any work with the Approved Tenant Improvement Plans, or due to any substandard work, or for any other reason, Landlord shall deliver a check to Tenant in an amount equal to the lesser of: (a) the Allowance Percentage of the Tenant Improvement costs for which payment is so requested less a ten percent (10%) retention (the aggregate amount of such retentions to be known as the "Final Retention"), or (b) the balance of the undisbursed Tenant Improvement Allowance (excluding the Final Retention). Landlord's payment of such amounts shall not be deemed Landlord's approval or acceptance of the work furnished or materials supplied as set forth in Tenant's payment request.

B. Final Retention. Subject to the provisions of this Work Letter, a check for the Final Retention shall be delivered by Landlord to Tenant within fifteen (15) days after all the following conditions have been satisfied: (i) Tenant delivers to Landlord a properly executed unconditional waiver and lien release from Tenant's Contractor in compliance with applicable sections of the California Civil Code, (ii) Landlord has determined that no substandard work exists, (iii) Architect delivers to Landlord a certificate, in a form reasonably acceptable to Landlord, certifying that the construction of the Tenant Improvements in the Premises has been substantially completed, (iv) Tenant has recorded a Notice of Completion with respect to Tenant's Work and thirty (30) days has expired from the date of such recording with no liens having been filed during such thirty day period, and (v) there is no existing Event of Default by Tenant under the Lease nor has Landlord notified Tenant of any default which would become an Event of Default under the Lease with the passage of time if not cured.

C. Other Terms. Landlord shall only be obligated to make disbursements from the Tenant Improvement Allowance to the extent costs are incurred by Tenant for Tenant Improvement Allowance Items. No disbursements shall be made to pay for Special Improvements unless the Tenant Improvement Allowance exceeds the costs of all other Tenant Improvements. All costs of completing Tenant's Work in excess of the Tenant Improvement Allowance shall be at Tenant's sole cost and expense.

D. Other Landlord Costs. Tenant shall also be responsible for the payment of (i) the fees incurred by Landlord for Landlord's consultants in connection with design drawing review and routine construction support related to the Tenant Improvements, (ii) the cost of documents and materials supplied by Landlord and Landlord's consultants, and (iii) all other verifiable, directly related costs, such as blueprint costs and delivery, fax and copy charges incurred by Landlord and Landlord's consultants related to the design/routine construction support of the Tenant Improvements. When the Tenant Improvement Plans have been approved by Landlord, Landlord shall submit to Tenant Landlord's estimate of the foregoing costs. The Tenant Improvement Allowance will not be used to pay the foregoing costs. Tenant shall pay such costs to Landlord from time to time within ten (10) days after receipt from Landlord of statements of such expenses.

SECTION 5

CONSTRUCTION DELAYS

5.1 TENANT DELAYS. As used in this Lease, the term "TENANT DELAY" shall mean the period of an actual delay or delays in the Substantial Completion of Landlord's Work or in the occurrence of any of the other conditions precedent to the Delivery Date, as set forth in Article 8 of the Lease, to the extent resulting from:

a. Tenant's failure to approve any matter requiring Tenant's approval within the time period specifically provided in this Work Letter for such approval;

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

c. Changes to the Base Building work described in the Plan List required by the Approved Tenant Improvement Drawings or requested in writing by Tenant; or

d. Any other acts or omissions of Tenant, or its agents, or employees,

(each a "TENANT DELAY"). Landlord shall provide prompt (within 48 hours of becoming aware of any such delay) written notice to Tenant ("DELAY NOTICE") specifying the action or inaction which Landlord contends constitutes a Tenant Delay hereunder. The period of delay, however, shall commence to run on the date of the action or inaction and not on the date of the Delay Notice. To the extent an action or inaction by Tenant specified in any Delay Notice constitutes a Tenant Delay as defined above and actually results in a delay in the Substantial Completion of the Premises (after taking into account any delays resulting from Landlord Delays and/or Force Majeure Delays described below), a Tenant Delay shall be deemed to have been established.

5.2 TENANT'S LEASE DEFAULT. Notwithstanding any provision to the contrary contained in this Lease: (i) if an Event of Default as described in Article 25 of the Lease has occurred; or (ii) a default by Tenant under this Work Letter has occurred at any time on or before the substantial completion of Landlord's Work and Tenant fails to remedy the default within such 48 hours after written notice from Landlord, then Landlord may thereafter: (x) in addition to all other rights and remedies granted to Landlord pursuant to the Lease, Landlord shall have the right to withhold payment of all or any portion of the Tenant Improvement Allowance and/or Landlord may cause Contractor to cease the construction of the Premises (in which case, Tenant shall be responsible for any Tenant Delay resulting from such work stoppage as set forth in Section 4.1 above of this Work Letter), and (y) all other obligations of Landlord under the terms of this Work Letter shall be deferred until such time as such default is cured pursuant to the terms of the Lease.

5.3 LANDLORD DELAY. As used herein, "LANDLORD DELAY" shall mean: (i) any actual delay in the completion of the work Tenant is required to perform hereunder which results from any failure of Landlord to act or provide approvals within five (5) business days or (ii) the actual delay in the Substantial Completion of Landlord's Work due to any failure of Landlord, its agents, employees or contractors to perform the Base Building work or other work required to be provided by Landlord hereunder in compliance with the terms hereof and in compliance with applicable laws, rules and regulations or any other acts or omissions of Landlord, or its agents, or employees. Tenant shall provide prompt (within 48 hours of becoming aware of any such delay) written notice to Landlord ("Delay Notice") specifying the action or inaction which Tenant contends constitutes a Landlord Delay hereunder. The period of delay, however, shall commence to run on the date of the action or inaction and not on the date of the Delay Notice.

5.4 FORCE MAJEURE DELAYS. The term "FORCE MAJEURE DELAYS" shall mean delays caused by any event of force majeure described in Section 32.8 of the Lease.

5.5 SUBSTANTIAL COMPLETION. The date set forth in Section 8.4 of the Lease for Landlord's Substantial Completion of the Base Building work shall be extended for the period of any Tenant Delays and Force Majeure Delays.

SECTION 6

MISCELLANEOUS

6.1 TENANT'S REPRESENTATIVE. Tenant has designated Greg Gehlen and Dennis Rhett as its sole representatives with respect to the matters set forth in this Work Letter, each of whom, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Work Letter.

6.2 LANDLORD'S REPRESENTATIVE. Landlord has designated William Drummond as its sole representative with respect to the matters set forth in this 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 Work Letter.

6.3 TIME OF THE ESSENCE IN THIS WORK LETTER. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days. In all instances where Tenant is required to approve or deliver an item, if no written notice of approval is given or the item is not delivered within the stated time period, at Landlord's sole option, at the end of such period the item shall automatically be deemed approved or delivered by Tenant and the next succeeding time period shall commence.

SCHEDULE 1

PLAN LIST -- BUILDING 3

ARCHITECTURAL - ALL DRAWINGS DATED 9-14-00 CONSTRUCTION SET

A0.1	Title Sheet		
A0.2	Title 24 ADA Notes		
A0.3	General Notes		
A1.1	Overall Site Plan		
A1.2	Enlarged Site Plan		
A2.2	Building Three: Floor Plan		
A3.2	Building Three: Roof Plan		
A4.2	Building Three: Exterior Elevations		
A5.1	Building Sections		
A5.2	Wall Sections		
A5.3	Wall Sections		
A6.1	Enlarged Floor Plans and Exterior Elevations		
A8.1	Door Schedule		
A9.1	Details		
A9.2	Details		
A9.3	Details		
A9.4	Details		

STRUCTURAL - DRAWINGS DATED 8-31-00 4TH PLAN CHECK SUBMITTAL, UNLESS OTHERWISE NOTED

SD-0	General Notes		
SD-1	Foundation Plan		
SD-2	Panel at Footing Details		
SD-3	Panel Details		
SD-4	Roof Details	7-28-00	2nd Plan Check Submittal
SD-5	Chevron Brace Details	7-28-00	2nd Plan Check Submittal
SD-6	Miscellaneous Details	7-28-00	2nd Plan Check Submittal
2S-1	Foundation Plan	6-16-00	Addendum 1
2S-2	Roof Framing Plan		
2S-3	Nailing Diagram		
2S-4.1	Panel Elevations		
2S-4.2	Panel Elevations		

PLUMBING - ALL DRAWINGS DATED 6-16-00 ADDENDUM 1

P0.1	Legend Notes & Schedule		
P2.03	Building Three Floor Plan		
P2.33	Building Three Roof Plan		

ELECTRICAL

E0.1	Legend Notes & Schedule	6-16-00	Addendum 1
E1.0	Site Plan Utilities	11-02-00	Addendum 6
E1.1	Site Plan Exterior Lighting	9-27-00	Addendum 5
E2.03	Building 3 Floor Plan	7-28-00	2nd Plan Check Submittal

LANDSCAPE - ALL DRAWINGS DATED 2-7-01 MISCELLANEOUS REVISIONS

L-1	Layout and Mounding Plan		
L-2	Irrigation Plan		

L-3 Planting Plan
L-4 Legend and Notes
L-5 Details

CIVIL - ALL DRAWINGS DATED 11-13-00 BULLETIN 2

C-1 Cover Sheet
C-2 Topographic Survey
C-3 Grading and Drainage Plan -- Phase I
C-4 Utility Plan -- Phase I
C-5 Driveway and Entry Details
C-6 Sections and Standard Details
C-7 City Standard Details
C-8 Erosion Control Plan -- Phase I
C-9 Phase 2 Borrow Area

EXHIBIT D

LETTER OF CREDIT

LETTER OF CREDIT NO.
IRREVOCABLE STANDBY LETTER OF CREDIT

PLACE AND DATE OF ISSUE:

ACCOUNT PARTY: FORMFACTOR, INC., 2020 RESEARCH DRIVE, LIVERMORE, CALIFORNIA 94550

BENEFICIARY: GREENVILLE INVESTORS, L.P., 675 HARTZ AVENUE, SUITE 300, DANVILLE, CALIFORNIA 94526

AMOUNT: $_____

EXPIRY DATE AND PLACE FOR PRESENTATION OF DOCUMENTS: [12 MONTHS FROM ISSUE DATE] IMPERIAL BANK INTERNATIONAL DIVISION, 2015 MANHATTAN BEACH BLVD., 2nd FLR., REDONDO BEACH, CA 90278

CREDIT IS AVAILABLE WITH IMPERIAL BANK INTERNATIONAL DIVISION AGAINST PAYMENT OF DRAFTS DRAWN AT SIGHT ON IMPERIAL BANK INTERNATIONAL DIVISION, 2015 MANHATTAN BEACH BLVD., 2nd FLR., REDONDO BEACH, CA 90278

DOCUMENTS REQUIRED:

1. THE ORIGINAL OF THIS STANDBY LETTER OF CREDIT AND AMENDMENTS) IF ANY.

2. BENEFICIARY'S STATEMENT DATED AND PURPORTEDLY SIGNED BY AN AUTHORIZED REPRESENTATIVE CERTIFYING THAT A DEFAULT HAS OCCURRED UNDER ONE OR MORE OF THE TERMS OF THAT CERTAIN LEASE AGREEMENT DATED _____ 2001 THAT EXISTS BETWEEN FORMFACTOR, INC. AND BENEFICIARY (THE "LEASE") AND ANY APPLICABLE CURE PERIOD HAS LAPSED WITHOUT REMEDY.

SPECIAL CONDITIONS:

ALL INFORMATION REQUIRED WHETHER INDICATED BY BLANKS, BRACKETS OR OTHERWISE, MUST BE COMPLETED AT THE TIME OF DRAWING.

ALL SIGNATURES MUST BE MANUALLY EXECUTED ORIGINALS.

UPON RECEIPT OF THE DOCUMENTATION REQUIRED, WE WILL HONOR BENEFICIARY'S DRAWS AGAINST THIS IRREVOCABLE STANDBY LETTER OF CREDIT WITHOUT INQUIRY INTO THE ACCURACY OF BENEFICIARY'S SIGNED STATEMENT AND REGARDLESS OF WHETHER ACCOUNT PARTY DISPUTES THE CONTENT OF THAT STATEMENT.

PARTIAL DRAWINGS MAY BE MADE UNDER THIS LETTER OF CREDIT, PROVIDED, HOWEVER, THAT EACH SUCH DEMAND THAT IS PAID BY US SHALL REDUCE THE AMOUNT AVAILABLE UNDER THIS LETTER OF CREDIT.

IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL BE DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR PERIODS FROM

THE PRESENT EXPIRATION DATE HEREOF, UNLESS AT LEAST SIXTY (60) DAYS PRIOR TO ANY SUCH DATE, WE SHALL NOTIFY YOU IN WRITING BY CERTIFIED MAIL OR COURIER SERVICE AT THE ABOVE LISTED ADDRESS THAT WE ELECT NOT TO CONSIDER THIS IRREVOCABLE LETTER OF CREDIT EXTENDED FOR ANY SUCH ADDITIONAL PERIOD. UPON RECEIPT BY YOU OF SUCH NOTICE, YOU MAY DRAW HEREUNDER BY MEANS OF YOUR DRAFTS) ON US AT SIGHT ACCOMPANIED BY YOUR ORIGINAL SIGNED STATEMENT WORDED AS FOLLOWS: [BENEFICIARY] HAS RECEIVED NOTICE FROM IMPERIAL BANK THAT THE EXPIRATION DATE OF LETTER OF CREDIT NO. [INSERT L/C NO.] WILL NOT BE EXTENDED FOR AN ADDITIONAL PERIOD. AS OF THE DATE OF THIS DRAWING, [BENEFICIARY] HAS NOT RECEIVED A SUBSTITUTE LETTER OF CREDIT OR OTHER INSTRUMENT ACCEPTABLE TO [BENEFICIARY] AS SUBSTITUTE FOR IMPERIAL BANK LETTER OF CREDIT NO. [INSERT L/C NO.] AND THE PROCEEDS OF THIS DRAWING WILL BE APPLIED AND HELD AS A CASH SECURITY DEPOSIT PURSUANT TO THE TERMS OF THE LEASE.

NOTWITHSTANDING THE ABOVE, THE FINAL EXPIRATION DATE SHALL BE [SPECIFY DATE SIXTY (60) DAYS AFTER EXPIRATION DATE OF INITIAL TERM]

THIS LETTER OF CREDIT IS TRANSFERABLE SUCCESSIVELY IN WHOLE ONLY UP TO THE THEN AVAILABLE AMOUNT IN FAVOR OF ANY NOMINATED TRANSFEREE THAT IS THE SUCCESSOR IN INTEREST TO BENEFICIARY OR IS THE NEW OWNER OF CERTAIN STATED PROPERTY ("TRANSFEREE"), ASSUMING SUCH TRANSFER TO SUCH TRANSFEREE IS IN COMPLIANCE WITH THE THEN APPLICABLE LAW AND REGULATIONS, AT THE TIME OF TRANSFER, THE ORIGINAL STANDBY L/C AND AMENDMENTS, IF ANY, MUST BE SURRENDERED TO US TOGETHER WITH OUR TRANSFER FORM AS PER ANNEX "A" ATTACHED HERETO, WHICH FORMS AN INTEGRAL PART OF THIS LETTER OF CREDIT AND PAYMENT OF OUR TRANSFER COMMISSION.

APPLICANT WILL PAY THE TRANSFER FEES FOR THE FIRST TRANSFER ONLY.

ALL DRAFTS AND DOCUMENTS REQUIRED UNDER THIS LETTER OF CREDIT MUST BE MARKED: "DRAWN UNDER IMPERIAL BANK LETTER OF CREDIT NO. [INSERT L/C NO.]."

ALL DOCUMENTS ARE TO BE DISPATCHED IN ONE LOT BY COURIER SERVICE TO IMPERIAL BANK INTERNATIONAL DIVISION, 2015 MANHATTAN BEACH BLVD., 2nd FLR., REDONDO BEACH, CA 90278.

THIS LETTER OF CREDIT SETS FORTH IN FULL THE TERMS OF OUR UNDERTAKING AND SUCH UNDERTAKING SHALL NOT BE IN ANY WAY MODIFIED, AMENDED OR AMPLIFIED BY REFERENCE TO ANY DOCUMENT, INSTRUMENT OR AGREEMENT REFERRED TO HEREIN OR IN WHICH THIS LETTER OF CREDIT IS REFERRED TO OR TO WHICH THIS LETTER OF CREDIT RELATES, AND ANY SUCH REFERENCE SHALL NOT BE DEEMED TO INCORPORATE HEREIN BY REFERENCE ANY DOCUMENT, INSTRUMENT OR AGREEMENT.

WE HEREBY ENGAGE WITH YOU THAT ALL DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS CREDIT WILL BE DULY HONORED IF DRAWN AND PRESENTED FOR PAYMENT AT THIS OFFICE ON OR BEFORE THE EXPIRATION DATE OF THIS CREDIT.

EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED HEREIN, TI [IS CREDIT IS SUBJECT TO THE "UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS"(1993 REVISION) INTERNATIONAL CHAMBER OF COMMERCE (PUBLICATION NO. 500).

TRANSFER FORM ANNEX "A"
WHICH FORMS AN INTEGRAL PART TO IMPERIAL BANK STANDBY LETTER OF CREDIT
NO. [INSERT L/C NO.].

TO: IMPERIAL BANK
_____
_____ DATE: _____

FOR VALUE RECEIVED, THE UNDERSIGNED BENEFICIARY HEREBY IRREVOCABLY TRANSFERS ALL RIGHTS UNDER THE ABOVE MENTIONED LETTER OF CREDIT TO:

_____
(NAME OF TRANSFEREE)

_____
(ADDRESS OF TRANSFEREE)

WE HEREBY CERTIFY THAT THE TRANSFEREE IS (CHECK ONE):
_____THE SUCCESSOR IN INTEREST TO THE BENEFICIARY;
_____THE NEW OWNER OF A CERTAIN STATED BUILDING LOCATED AT

_____

BY THIS TRANSFER, ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY IN IMPERIAL BANK LETTER OF CREDIT NO. [INSERT L/C NO.] ARE TRANSFERRED IN ITS ENTIRETY TO THE TRANSFEREE AND THE TRANSFEREE SHALL HAVE THE SOLE RIGHTS AS BENEFICIARY THEREOF, INCLUDING SOLE RIGHTS RELATING TO ANY AMENDMENTS, WHETHER NOW EXISTING OR HEREAFTER MADE. ALL AMENDMENTS ARE TO BE ADVISED DIRECTLY TO THE TRANSFEREE WITHOUT NECESSITY OF ANY CONSENT OF OR NOTICE TO THE UNDERSIGNED BENEFICIARY.

THE ORIGINAL LETTER OF CREDIT NO. [INSERT L/C NO.] PLUS ALL ORIGINAL AMENDMENTS, IF ANY, ARE ENCLOSED HERETO AND WE ASK YOU TO ENTER THE TRANSFER ON THE REVERSE SIDE OF THE ORIGINAL LETTER OF CREDIT AND FORWARD IT TOGETHER WITH THE AMENDMENTS, IF ANY, DIRECTLY TO THE TRANSFEREE WITH YOUR CUSTOMARY NOTICE OF TRANSFER.

OUR CHECK IN THE AMOUNT OF $_____ COVERING THE TRANSFER FEE IS ENCLOSED HERETO AND WE AGREE TO PAY YOU ON DEMAND ANY EXPENSES WHICH MAY BE INCURRED BY YOU IN CONNECTION WITH THIS TRANSFER.

VERY TRULY YOURS,

SIGNATURE AUTHENTICATED

_____ _____
SIGNATURE OF BENEFICIARY
BENEFICIARY'S NAME:_____

_____
(AUTHORIZED SIGNATURE)

EXHIBIT E

RULES AND REGULATIONS

1. The sidewalks, passages, exits and entrances of the Building (the "Building") shall not be obstructed by Tenant or used by it for any purpose other than for ingress and egress from the Premises. The passages, exits, entrances, elevators and stairways are not for the use of the general public, and Landlord shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the judgment of the Landlord would be prejudicial to the safety, character, reputation and interests of the Building and its tenants, provided that nothing herein contained shall be construed to prevent such access to persons with whom Tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. Tenant shall not go upon the roof of the building except as permitted to install and operate rooftop equipment pursuant to the Lease.

2. The Premises shall not be used for lodging or sleeping, and unless ancillary to a food service or cafeteria use for Tenant's employees and invitees permitted under the terms of the Lease, no cooking shall be done or permitted by Tenant on the Premises, except that the preparation of coffee, tea, hot chocolate and similar items for Tenant and its employees shall be permitted. Tenant shall not cause or permit any unusual or objectionable odors to be produced on the Premises.

3. Unless specifically provided for in the Lease, all janitorial work and light bulb replacement for the Premises shall be paid for by the Tenant.

4. Intentionally Deleted.

5. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline or flammable or combustible fluid or materials or use any method of heating or air conditioning except as permitted under the terms of the Lease. Tenant shall not use, keep or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business in the building.

6. Nothing shall be placed on the outside of the Building, including the exterior windowsills or projections.

7. Tenant must, upon Lease termination, leave the doors and windows in the demised Premises in the condition required under the terms of the Lease.

8. Tenant shall not permit any animals, including but not limited to, any household pets to be brought or kept in or about the Premises, the Building or the Center or any of the Common Areas of the foregoing, except seeing eye dogs.

9. In case of invasion, mob, riot, public excitement or other circumstances rendering such action advisable in Landlord's opinion, Landlord reserves the right to prevent access to the Building during the continuance of same by such action as Landlord may deem appropriate, including closing entrances to the Building.

10. Tenant shall only allow its employees to park in such areas as designated by Landlord. Vehicles of Tenant and their employees may be required to have identifying stickers provided by Landlord. Tenant agrees to assist Landlord in enforcing parking restrictions and foreign substance of any kind whatsoever shall be deposited therein, and any damage resulting t same from Tenant misuse shall be paid for by Tenant.

11. Tenant shall see that the doors of the Premises are closed and securely locked at such time as Tenant's employees leave the Premises.

12. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose or in any other manner other than that for which they were constructed, no foreign substance of any kind whatsoever shall be deposited therein, and any damage resulting to same from Tenant misuse shall be paid for by Tenant.

13. Except with the prior consent of Landlord, Tenant shall not sell, or permit the sale from the Premises or use or permit the use of any sidewalk area adjacent to the Premises for the sale of newspapers, magazines, periodicals, theater tickets or any other goods, merchandise or service, or for any business or activity other than that specifically provided for in Tenant's lease.

14. Except with the prior consent of Landlord, no sales of merchandise, storage or any other business operation will be allowed in any of the Common Areas or outside of Tenant's premises.

15. Tenant shall not install any radio or television antenna, loudspeaker or other device on the roof or exterior walls of the Building except as otherwise expressly permitted under the terms of the Lease.

16. All wires used by Tenant must be clearly tagged at the distributing boards and junction-boxes and elsewhere in the Building, with the number of the office to which said wires lead, and the purpose for which said wires respectively are used, together with the name of the company operating same. The attaching of wires to the outside of the Building is absolutely prohibited.

17. Tenant shall not use or allow any of its vendors to use in any space, or in the common areas of the Building, any hand trucks, carts, dollies or bins except those equipped with rubber tires and wall protecting side guards. No other vehicles of any kind shall be brought by Tenant into the Building or kept in or about the Premises. Further, all repair costs of any damage resulting from deliveries to the Premises shall be at Tenant's sole cost and expense. Forklifts must be equipped with pneumatic (soft) tires only. Any other mobile weight handling equipment shall have the Landlord's written approval before use in the building.

18. Tenant shall store all its trash and garbage within designated trash enclosures. Any trash not disposed of in the manner above and determined and identified as being Tenant's will be properly disposed of by Landlord, and such Tenant shall be responsible for all costs for time, materials and labor involved. Absolutely no household items such as mattresses, garden clippings, furniture, tires, automobile batteries, etc. shall be disposed of in the Building. No hazardous material shall be placed in Building's trash boxes or receptacles or any other materials if Such material is of such nature that it may not be disposed of in the ordinary customary

manner of removing and disposing of trash and garbage in the City of Livermore without being in violation of any law or ordinance governing such disposal or any requirement or regulation.

19. Canvassing, soliciting, peddling or distribution of handbills or any other written material in the Center is prohibited and Tenant shall cooperate to prevent same.

20. Intentionally Deleted

21. Subject to the terms of the Lease with respect to signage, Landlord reserves the right to select the name of the Center and the buildings therein and to make such change or changes of name as it may deem appropriate from time to time, and Tenant shall not refer to the Center and the buildings therein by any name other than; (i) the names as selected by Landlord (as same may be changed from time to time) or (ii) the postal address, approved by the United States Post Office. Tenant shall not use the name of the Center and the buildings therein in any respect other than as an address of its operation in the Center and in marketing efforts with respect to a proposed sublease without the prior written consent of Landlord.

22. At all times during the term of this Lease, Tenant shall not conduct any going-out-of-business, fire, bankruptcy, sidewalk or distress sale on or about the Premises without Landlord's prior written consent.

23. Intentionally deleted.

24. The requirements of Tenant will be attended to only upon application at such office location designated by Landlord. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless special written instructions have been given by Landlord to the employee.

25. Tenant shall not disturb, solicit, or canvass any occupant of the Building or Center and shall cooperate with Landlord or Agent of Landlord to prevent same.

26. Tenant is required per the City of Livermore Fire Code to have a fully serviced fire extinguisher(s) in the Premises in good working order, including a current inspection certificate.

27. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenant or tenants, but no such waiver by Landlord shall be construed as a waiver of the Rules and Regulations in favor of any other tenant or tenants, or prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the tenants in the Center or Landlord's Parcels.

28. Wherever the word "Tenant" occurs in these Rules and Regulations, it is understood and agreed that it shall mean Tenant's associates, agents, clerks, employees and visitors. Wherever the word "Landlord" occurs in the Rules and Regulations, it is understood and agreed that it shall mean Landlord's assigns, agents, clerks, and employees.

29. These Rules and Regulations are in addition to, and shall not be construed in any way to modify, alter or amend, in whole or part, the terms, covenants, agreements and conditions

of any lease of Premises in the Center. In the event of any express conflict between the terms of the Lease and the terms of this Exhibit E, the terms of the Lease shall control.

30. Landlord reserves the right to make such other reasonable rules and regulations as in its judgment may from time to time be needed to for safety, care and cleanliness of the Center, and for the preservation of good order herein.

31. Tenant shall not exceed the maximum occupancy of the Premises as determined by the City of Livermore Fire Marshall.

32. Intentionally Deleted.

33. All window coverings installed by Tenant and visible from the outside of the Building require the prior written approval of Landlord, which shall not be unreasonably withheld or delayed.

34. Tenant shall park motor vehicles in those general parking areas as designated by landlord except for loading and unloading. During those periods of loading and unloading, Tenant shall not unreasonably interfere with the traffic flow within the Center and loading and unloading areas of other tenants.

35. Business machines and mechanical equipment belonging to Tenant which causes noise or vibration that may be transmitted to the structure of the Building to such a degree as to be objectionable to Landlord or other Building tenants, shall be placed and maintained by Tenant at Tenant's expense on vibration eliminators or other devices sufficient to eliminate noise or vibration.

36. All goods, including material used to store goods, delivered to the Premises of Tenant shall be immediately moved into the Premises and shall not be left in the parking or receiving areas overnight.

37. Tractor trailers which must be unhooked or parked with dolly wheels on asphalt paving must use steel plates or wood blocks under the dolly wheels to prevent damage to the asphalt paving surfaces. No parking or storing of such trailers shall be permitted in the auto parking areas of the Center or on the streets adjacent thereto.

38. Forklifts which operate on asphalt paving areas shall not have solid rubber tires and shall only use tires that do not damage the asphalt.

39. Tenant shall not permit any motor vehicles to be washed on any portion of the premises or in the Common Areas of the Center not shall Tenant permit mechanical work or maintenance of motor vehicles, to be performed on any portion of the premises or in the Common Areas of the Center.

EXHIBIT F

LIST OF HAZARDOUS SUBSTANCES

205 Fast Hardener	Nitrogen Trifluoride
* * *	* * *
Acetone	Oxygen
Acetylene	Palladium AA Standards
ACR Auxillary Salts	* * *
* * *	* * *
* * *	Potassium Cyanide
* * *	Potassium Hydroxide
Ammonium Hydroxide	* * *
Ardox 4025, D Film Resist Stripper	* * *
Argon	* * *
Aubel (2M)	Sodium Hydroxide
* * *	Sodium Hypochlorite
* * *	Sodium Persulfate
* * *	Sodium Sulfite
* * *	Sulfamic Acid
Bath: copper sulfate & sulfuric acid solution	Sulfuric Acid 10%
Bath: sulfuric acid & sodium hydroxide, acetic	* * *
Bath: sulfuric acid solution	Texmet Polishing Cloth
* * *	
Boric Acid	
* * *	
Butyl Acetate	
Carbon Dioxide	
Chloroform	
Copper AA Standard	
Cyanide Gold Reclaim	
* * *	
Epoxide Hardener	
Gold Solution	
Helium, Compressed	
* * *	
Hydrochloric Acid	
Hydrofluoric Acid	
Hydrogen Peroxide Solution 50%	
Isopropyl Alcohol	
Lead AA Standard	
* * *	
Liquid Nitrogen	
* * *	
Miscellaneous Acid Waste	
* * *	
* * *	
Nitric Acid 70%	

- ----------
Nitric Acid 70% Redistilled 99.999%
- ----------
Nitrogen
- ----------
Nitrogen Hydrogen Gas
- ----------

- ------------

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately.

EXHIBIT F-1

MINIMUM STANDARDS FOR HAZARDOUS SUBSTANCE USE AND/OR STORAGE AREAS

All areas where hazardous substances are used and/or stored will be designed, constructed, and operated to meet the minimum standards specified below.

Legal and Other Applicable Standards

All structures and equipment where hazardous substances are used and/or stored will, at a minimum, meet the standards specified in applicable federal, state, and local laws, regulations, codes, or standards.

Secondary Containment

Secondary containment must be provided for all liquid hazardous substances used and/or stored in indoor and outdoor areas. Containment capacity must be equal to or exceed the volume of the largest container or 10 percent of the total aggregate volume of all containers within the containment structure. Containment structures must be designed to ensure that contents of containers will not be released if containers tip over. The surfaces of the containment structures must be compatible with the hazardous substances used and/or stored, such that any hazardous substances released within the containment structure will not deteriorate or penetrate the containment structure. A building or interior room will not be considered a secondary containment structure unless the entire building or room meets the above specifications and entryways are designed to contain releases.

Container Storage

No hazardous substance container will be placed directly on top of any other container (i.e., no stacking), unless it can be demonstrated that such configuration could not result in releases of liquid hazardous substances. Containers will be stored in a manner such that exterior surfaces are readily accessible for visible inspection at all times. If hazardous substances are stored in drums or other large containers, any rows of such containers will be no more than two containers wide, with minimum aisle space between the rows of 24 inches.

Outdoor Areas

All solid hazardous substances stored in outdoor areas will be provided with secondary containment. All outdoor areas where hazardous substances are used and/or stored will be designed to prevent run-off or discharge of storm water that has been in contact with any hazardous substances or equipment.

Ancillary Equipment

All ancillary equipment (i.e., piping, pumps, valves, fittings, etc.) will be provided with secondary containment and will be constructed of materials compatible with the hazardous substances that contact the equipment.

Segregation of Incompatible Hazardous Substances

All incompatible hazardous substances will be segregated by secondary containment structures such that releases of incompatible hazardous substances cannot intermingle.

Ventilation

All areas where hazardous substance are used and/or stored will be adequately ventilated to prevent accumulation of flammable or explosive vapors. Ventilation systems will be provided with appropriate air pollution control equipment in accordance with federal, state, and local regulations.

EXHIBIT G

COPY OF CENTER

COVENANTS, CONDITIONS & RESTRICTIONS

- ----------
RECORDING REQUESTED
BY
CHICAGO TITLE COMPANY
- ----------

- ----------

RECORDED AT THE REQUEST OF:

WHEN RECORDED RETURN TO:
Pacific Union Commercial Development
675 Hartz Avenue, #300
Danville, CA 94526

CERTIFIED TO BE A TRUE COPY OF DOCUMENT
RECORDED 8-3-01 IN BOOK __
SERIES 2001-281501 OF OFFICIAL RECORDS

CHICAGO TITLE INS. CO
BY_____

Attention Bill Drummond
- ----------

DECLARATION OF COVENANTS CONDITIONS AND RESTRICTIONS OF PACIFIC CORPORATE CENTER

A Common Interest Development

INDEX
DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS OF
PACIFIC CORPORATE CENTER
A Common Interest Development

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
PACIFIC CORPORATE CENTER
A COMMON INTEREST DEVELOPMENT

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF PACIFIC CORPORATE CENTER ("Declaration") is made by GREENVILLE INVESTORS, L.P., a California limited partnership ("Declarant").

ARTICLE I
INTENTION OF DECLARATION

1.1 FACTS: This Declaration is made with reference to the following facts:

1.1.1 Property Owned by Declarant: Declarant is the owner of all the real property and Improvements thereon located in the City of Livermore, County of Alameda, State of California, described as follows:

Parcels 1 through 8, inclusive, as shown on Parcel Map 7624, filed for record on December 12, 2000, in Book 254 of Maps at Pages 73 through 82, inclusive, in the Official Records of the County of Alameda, State of California.

1.1.2 Nature of Project: Declarant intends to develop the Project as a Common Interest Development which shall be a planned development as defined in California Civil Code Section 1351(k). The Project is intended to be created in conformity with the provisions of the Davis-Stirling Common Interest Development Act (California Civil Code, Section 1350 et seq.). To establish the Project, Declarant desires to impose on the Project these mutually beneficial restrictions, easements, assessments and liens under a comprehensive general plan of improvement and development for the benefit of all of the Owners, the Parcels and Common Area within the Project.

1.2 APPLICABILITY OF RESTRICTIONS: Pursuant to California Civil Code Sections 1353 and 1354, Declarant hereby declares that the Project and all Improvements thereon are subject to the provisions of this Declaration. The Project shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the covenants, conditions and restrictions stated in this Declaration. All such covenants, conditions and restrictions are declared to be in furtherance of the plan for the subdivision, development and management of the Project as a Common Interest Development. All of the limitations, easements, uses, obligations, covenants, conditions, and restrictions stated in this Declaration shall run with the Project and shall inure to the benefit of and be binding on all Owners and all other parties having or acquiring any right, title or interest in any part of the Project.

ARTICLE II
DEFINITIONS

Unless otherwise defined or unless the context clearly requires a different meaning, the terms used in this Declaration, the Map and any grant deed to a Parcel shall have the meanings specified in this Article.

2.1 ADDITIONAL CHARGES: The term "Additional Charges" shall mean costs, fees, charges and expenditures, including without limitation, attorneys' fees, late charges, interest and recording and filing fees actually incurred by the Association in collecting and/or enforcing payment of assessments, fines and/or penalties.

2.2 ALTERATION: The term "Alteration" shall mean constructing, performing, installing, remodeling, repairing, replacing, demolishing, and/or changing the color or shade of any Improvement.

2.3 ARTICLES: The term "Articles" shall mean the Articles of Incorporation of Pacific Corporate Center Owners Association, which are or shall be filed in the Office of the Secretary of State of the State of California.

2.4 ASSOCIATION: The term "Association" shall mean Pacific Corporate Center Owners Association, its successors and assigns, a nonprofit mutual benefit corporation incorporated under the laws of the State of California.

2.5 ASSOCIATION LANDSCAPE AREA: The term "Association Landscape Area" shall mean the landscape strips, medians and areas situated within an Association Maintained Area as shown on the Maintenance Plat.

2.6 ASSOCIATION PRIVATE DRIVE: The term "Association Private Drive" shall mean the roadways, driveways and parking areas situated within an Association Maintained Area as shown on the Maintenance Plat.

2.7 BOARD: The term "Board" shall mean the Board of Directors of the Association.

2.8 BUDGET: The term "Budget" shall mean a pro forma operating budget prepared by the Board in accordance with Section 6.6.1 of this Declaration.

2.9 BUILDING: The term "Building" shall mean each of the buildings constructed on the Parcels approximately as shown on the Maintenance Plat.

2.10 BYLAWS: The term "Bylaws" shall mean the Bylaws of the Association and any amendments thereto.

2.11 CITY: The term "City" shall mean the City of Livermore, California.

2.12 COMMON AREA: The term "Common Area" shall mean easements under, over, upon and across the Association Landscape Areas and Association Private Drives, for the

purposes described in Section 3.4.3. Common Area includes all Improvements situated thereon or therein.

2.13 COUNTY: The term "County" shall mean the County of Alameda, State of California.

2.14 DECLARANT: The term "Declarant" shall mean GREENVILLE INVESTORS, L.P., a California limited partnership. The term "Declarant" shall also mean any person or entity if (i) a notice signed by Declarant and such person or entity has been recorded in the County in which such person or entity assumes the rights and duties of Declarant to some portion of the Project, or (ii) such person or entity acquires all of the Project then owned by a Declarant which must be more than one (1) Parcel. There may be more than one Declarant at any given time.

2.15 DECLARATION: The term "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions of Pacific Corporate Center and includes any subsequently recorded amendments.

2.16 FIRST MORTGAGE: The term "First Mortgage" shall mean a Mortgage which has priority under the recording statutes of the State of California over all other Mortgages encumbering a specific Parcel.

2.17 FIRST MORTGAGEE: The term "First Mortgagee" shall mean the Mortgagee of a First Mortgage. The term "First Mortgagee" shall also include an insurer or governmental guarantor of a First Mortgage including, without limitation, the Federal Housing Authority and the Department of Veteran's Affairs.

2.18 IMPROVEMENTS: The term "Improvements" shall mean everything constructed, installed or planted on real property, including without limitation, buildings, streets, fences, walls, paving, pipes, wires, grading, landscaping and other works of improvement as defined in Section 3106 of the California Civil Code, excluding only those Improvements or portions thereof which are dedicated to the public or a public or quasi-public entity or utility company, and accepted for maintenance by the public, such entity or utility company.

2.19 INVITEE: The term "Invitee" shall mean any person whose presence within the Project is approved by or is at the request of the Association or a particular Owner, including, but not limited to, lessees, tenants, and the family, guests, employees, licensees, patrons, customers, or invitees of Owners, tenants or lessees.

2.20 MAINTENANCE PLAT: The term "Maintenance Plat" shall mean the drawing attached hereto as Exhibit "A," "B-1" and "B-2."

2.21 MAP: The term "Map" shall mean Parcel Map 7624, recorded on December 12, 2000, in Book 254 of Maps at Pages 73 through 82, inclusive, in the Official Records of the County, including any subsequently recorded amended final maps, parcel maps, certificates of correction, lot line adjustments and/or records of survey.

2.22 MEMBER: The term "Member" shall mean an Owner.

2.23 MORTGAGE: The term "Mortgage" shall mean any duly recorded mortgage or deed of trust encumbering a Parcel.

2.24 MORTGAGEE: The term "Mortgagee" shall mean a Mortgagee under a Mortgage as well as a beneficiary under a deed of trust.

2.25 NOTICE AND HEARING: The term "Notice and Hearing" shall mean the procedure which gives an Owner notice of an alleged violation of the Project Documents and the opportunity for a hearing before the Board.

2.26 OWNER: The term "Owner" shall mean the holder of record fee title to a Parcel, including Declarant as to each Parcel owned by Declarant. If more than one person owns a single Parcel, the term "Owner" shall mean all owners of that Parcel. The term "Owner" shall also mean a contract purchaser (vendee) under an installment land contract but shall exclude the contract vendor and any person having an interest in a Parcel merely as security for performance of an obligation.

2.27 PARCEL: The term "Parcel" refers to a Separate Interest as defined in California Civil Code Section 1351(1) and shall mean Parcels 1 through 8, inclusive, as shown on the Map. Parcel includes all Improvements situated thereon or therein.

2.28 PROJECT: The term "Project" shall mean Parcels 1 through 8, inclusive, as shown on the Map and all Improvements thereon.

2.29 PROJECT DOCUMENTS: The term "Project Documents" shall mean the Articles, Bylaws, this Declaration and the Rules.

2.30 RULES: The term "Rules" shall mean the rules adopted by the Board, including architectural guidelines, restrictions and procedures.

2.31 SHARED LANDSCAPE AREA: The term "Shared Landscape Area" shall mean the landscape strips, medians and areas situated within a Shared Maintenance Area as shown on the Maintenance Plat.

2.32 SHARED PRIVATE DRIVE: The term "Shared Private Drive" shall mean the roadways, driveways and parking areas situated within a Shared Maintenance Area as shown on the Maintenance Plat.

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ARTICLE III
OWNERSHIP AND EASEMENTS

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3.1 NON-SEVERABILITY: The interest of each Owner in the use and benefit of the Common Area shall be appurtenant to the Parcel owned by the Owner. Any conveyance of any Parcel shall automatically transfer the right to use the Common Area without the necessity of express reference in the instrument of conveyance. The ownership interests in the Common Area and Parcels described in this Article are subject to the easements described, granted and reserved in this Declaration. Each of the easements described, granted or reserved herein shall be established upon the recordation of this Declaration and shall be enforceable as equitable

servitudes and covenants running with the land for the use and benefit of the Owners and their Parcels superior to all other encumbrances applied against or in favor of any portion of the Project.

3.2 OWNERSHIP OF PARCELS: Title to each Parcel in the Project shall be conveyed in fee to an Owner, subject to the easement in the Common Area and any other easements described in Section 3.4, below.

3.3 OWNERSHIP OF COMMON AREA: An easement in the Colmon Area shall be conveyed to the Association prior to or concurrently with the conveyance of the first-Parcel to an Owner. The Association shall be deemed to have accepted the Common Area conveyed to it when (i) a grant deed of easement conveying the Common Area has been recorded in the Official Records of the County and (ii) assessments have commenced.

3.4 EASEMENTS: The easements and rights specified in this Article are hereby created and shall exist whether or not they are also set forth in individual grant deeds to Parcels. By reference to this Declaration, each grant deed to a Parcel shall be deemed to be conveyed with the benefit of and subject to all applicable easements set forth in this Section.

3.4.1 Additional Easements: Notwithstanding anything expressed or implied to the contrary, this Declaration shall be subject to all easements granted by Declarant for the installation and maintenance of utilities and drainage facilities necessary for the development of the Project.

3.4.2 Association: The Association and its duly authorized agents and representatives shall have a non-exclusive right and easement as is necessary to perform the duties and obligations of the Association set forth in the Project Documents, including the right to enter upon Parcels, subject to the limitations contained in this Declaration.

3.4.3 Common Area: There is hereby reserved from the conveyance of each Parcel and granted to the Association an easement for ingress, egress, utilities and landscaping purposes over, under and through the Common Area. Every Owner shall have a non-exclusive right and easement for the ingress, egress, use and enjoyment of the Common Area which shall be appurtenant to and shall pass with the title to every Parcel, subject to exceptions, limitations or restrictions set forth in the deed which conveys the Common Area to the Association.

3.4.4 Governmental Entities: All governmental and quasi-governmental entities, agencies and utilities and their agents shall have a non-exclusive easement over the Common Area for the purposes of performing their duties within the Project.

3.4.5 Man: The Common Area and Parcels are subject to all easements and rights of way shown on the Map.

3.4.6 Shared Landscape Area: There is hereby reserved from the conveyance of each of Parcels 1 through 6, inclusive, an easement for the installation, maintenance, repair and replacement of landscaping, irrigation and ancillary purposes, over, under and through the portions of these Parcels which are a "Shared Landscape Area." The Owners of Parcels 1 through 6, inclusive, shall each have a non-exclusive right and easement for installation,

maintenance, repair and replacement of landscaping, irrigation and ancillary purposes, under, over, upon and across any "Shared Landscape Area" which serves their Parcel, as indicated on the Maintenance Plat.

3.4.7 Shared Private Drive: There is hereby reserved from the conveyance of each of Parcels 1 through 6, inclusive, an easement for ingress, egress, and utilities purposes over, under and through the portions of these Parcels which are a "Shared Private Drive." The Owners of Parcels 1 through 6, inclusive, shall each have a non-exclusive right and easement for ingress, egress, utilities purposes, under, over, upon and across any "Shared Private Drive" which serves their Parcel, as indicated on the Maintenance Plat.

3.4.8 Storm Drains: There are reserved and granted for the benefit of each Parcel and the Common Area, over, under, across and through the Project, except the Buildings, non-exclusive easements for surface and subsurface storm drains and the flow of water in accordance with natural drainage patterns and the drainage patterns and Improvements installed or constructed by Declarant. Additionally, this Declaration and each Parcel and the Common Areas shall be subject to all easements granted by Declarant for the installation and maintenance of drainage Improvements necessary for the development of the Project.

3.4.9 Support, Maintenance and Repair: The Association and each Owner shall have a non-exclusive right and easement appurtenant to the Common Area and to all Parcels through each Parcel and the Common Area for the support, maintenance and repair of the Common Area and all Parcels.

3.4.10 Utilities: Each Owner shall have a non-exclusive right and easement over, under, across and through the Project, except for portions of the Project on which a structure is situated, for utility lines, pipes, wires and conduits installed by Declarant. Additionally, this Declaration and each Parcel and the Common Areas shall be subject to all easements granted by Declarant for the installation and maintenance of utilities necessary for the development of the Project.

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ARTICLE IV
USE RESTRICTIONS

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4.1 ALTERATIONS: Except as otherwise specifically provided in this Declaration, no Alteration may be made to any Improvement until plans have been submitted and approved pursuant to Article XI.

4.2 ANIMALS: The Board shall have the right to prohibit the maintenance of any pet which, after Notice and Hearing, is found to be a nuisance to other Owners. No dog shall be allowed outside of a Building unless it is under the control of a responsible person by leash.

4.3 ANTENNAS AND SATELLITE DISHES: No outside television antenna, microwave or satellite dish, aerial, or other such device (collectively "Video Antennas") with a diameter or diagonal measurement in excess of one (1) meter shall be erected, constructed or placed on any Common Area or Parcel without the approval of the Architectural Committee. Video antennas with a diameter or diagonal measurement of one (1) meter or less may be

installed only if they conform to the Architectural Standards and, if then required by the Architectural Standards, any necessary approval is obtained in accordance with the provisions of Article XI. Reasonable restrictions which do not significantly increase the cost of the Video Antenna system or significantly decrease its efficiency or performance may be imposed.

4.4 EXTERIOR LIGHTING: No Owner shall remove, damage or disable any exterior photo cell light fixture which is installed by Declarant. The Owner of the Parcel on which such exterior photo cell light fixture is situated shall at all times maintain the fixture in good working condition, including maintenance of the light bulb and shall pay all electric charges required to operate the fixture. Notwithstanding the foregoing, the Association shall maintain any exterior photo cell light fixtures, if any, which are connected to the Association's electric service.

4.5 INVITEES: Each Owner shall be responsible for compliance with the provisions of the Project Documents by that Owner's Invitees. An Owner shall promptly pay any Reimbursement Assessment levied and/or any fine or penalty imposed against an Owner for violations committed by that Owner's Invitees.

4.6 PARKING: No dilapidated or inoperable vehicle shall be parked or stored where visible from adjacent Parcels or the public streets adjacent to the Project. As long as applicable ordinances and laws are observed, including the requirements of Section 22658.2 of the California Vehicle Code, any vehicle which is in violation of this Declaration may be removed.

4.7 RENTAL OF PARCELS: An Owner shall be entitled to rent or lease a Parcel, if: (i) there is a written rental or lease agreement specifying that the tenant shall be subject to all provisions of the Project Documents and a failure to comply with any provision of the Project Documents shall constitute a default under the agreement; (ii) the period of the rental or lease is not less than thirty (30) days; (iii) the Owner gives notice of the tenancy to the Board and has otherwise complied with the terms of the Project Documents; and (iv) the Owner gives each tenant a copy of the Project Documents.

4.8 RULES: The Board may promulgate reasonable Rules relating to the use of the Project by Owners and their Invitees. Neither an Owner nor its Invitees shall violate any provision of this Declaration, the Bylaws or the Rules as the same may be amended from time to time.

4.9 SIGNS: All signs displayed in the Project shall be attractive and compatible with the design of the Project and shall comply with all applicable local ordinances. The Board may establish uniform Rules to govern the location, size and appearance of signs; provided, however, any sign which is installed consistent with the current Rules at the time of the installation, including a substantially similar replacement sign, if necessary, may remain in place (provided that it is properly maintained in good aesthetic condition consistent with any applicable Rules governing the maintenance of signs) notwithstanding any subsequent change to the Rules.

4.10 STORAGE OF WASTE MATERIALS: All garbage, trash and accumulated waste material shall be placed in appropriate covered containers.

4.11 TAXES: Each Owner shall be obligated to pay any taxes or assessments assessed by the County Assessor against that Owner's Parcel and personal property. Until such time as real property taxes have been segregated by the County Assessor, they shall be paid by the respective Owners. The proportionate share of the taxes for a particular Parcel shall be determined by dividing the initial Parcel sales price or, in the case of unsold Parcels, the price the Parcel is then being offered for sale by Declarant ("Offered Price"), by the total initial sales prices and Offered Prices of all Parcels. If an Owner fails to pay that Owner's proportionate share in accordance with the preceding sentence, the Association shall collect such share, including that Owner's interest and penalties, from the delinquent Owner.

4.12 USE OF BUILDINGS: Each Parcel and Building may be used for the following purposes which are presently permitted by local ordinance within the I-2 light industrial district: (a) manufacturing, assembling, processing, storage or packaging of products, except (1) manufacturing, processing, storage or packaging of chemicals, petroleum, and heavy agricultural products or other hazardous materials (this limitation should not be interpreted to prohibit the storage of reasonable quantities of hazardous materials in compliance with all applicable laws, rules and regulations) and (2) vehicle dismantling yards, scrap and waste yards; (b) warehousing and distribution facilities; (c) research and development facilities; (d) professional and administrative offices and (e) restaurants, except fast food facilities. Other uses which are permitted by local ordinance within the I-2 light industrial district are not permitted unless, however, the use is expressly approved by Declarant. Additional uses permitted by local ordinance within the I-3 zoning district are not permitted, even for any Parcel within the I-3 zoning district, unless, however, the use is expressly approved by Declarant. No Parcel or Building may be used for residential purposes. No Owner may permit or cause anything to be done or kept upon or in a Parcel which the Board reasonably determines either obstructs or interfere with the rights of other Owners or is noxious, harmful or unreasonably offensive to other Owners. Each Owner shall comply with all of the requirements of all federal, state and local governmental authorities, and all laws, ordinances, rules and regulations applicable to the Owner's Parcel.

4.13 USE OF COMMON AREA: All use of Common Area is subject to the Rules. There shall be no obstruction of any part of the Common Area. Nothing shall be stored or kept in the Common Area without the prior consent of the Board. Nothing shall be done or kept in the Common Area which will increase the rate of insurance on the Common Area without the prior consent of the Board. No Owner shall permit anything to be physically done or kept in the Common Area or any other part of the Project which might result in the cancellation of insurance on any part of the-Common Area, which would interfere with rights of other Owners, or which the Board determines is a nuisance, noxious, harmful or unreasonably offensive to other Owners. No waste shall be committed in the Common Area. The provisions of this Declaration concerning use, maintenance and management of the Common Area are subject to any rights or limitations established by any easements or other encumbrances which encumber the Common Area.

ARTICLE V
IMPROVEMENTS

5.1 MAINTENANCE OF COMMON AREA AND IMPROVEMENTS: Except as otherwise specifically provided in this Declaration, the Association shall be responsible for the maintenance, repair, replacement, management, operation, painting and upkeep of Common Area. The Association shall keep the Common Area in good condition and repair, provide for all necessary services and cause all acts to be done which may be necessary or proper to assure the maintenance of the Common Area in first class condition.

5.2 ALTERATIONS TO COMMON AREA:

5.2.1 Approval: Alterations to any Improvements situated in, upon or under the Common Area may be made only by the Association. A proposal for an Alteration to an Improvement may be made at any meeting. A proposal may be adopted by the Board, subject to the limitations contained in the Bylaws.

5.2.2 Funding: Expenditures for maintenance, repair or replacement of an existing capital Improvement for which reserves have been collected may be made from the Reserve Account. The Board may levy a Special Assessment to fund any Alteration of an Improvement for which no reserve has been collected.

5.3 MAINTENANCE OF PARCELS AND BUILDINGS:

5.3.1 Generally: Except as otherwise specifically provided in this Declaration, each Owner shall maintain and care for the Owner's Parcel, including the Building and other Improvements located thereon, but excluding the Common Area, in a manner consistent with the standards established by the Project Documents and other well maintained areas in the vicinity of the Project and in compliance with the Architectural Standards.

5.3.2 Utility Lines: Each Owner shall maintain, repair and replace those portions of all electric, gas, sewer, water and other utility lines, pipes wires and conduits which (i) are not maintained by a public or quasi-public entity or utility company and (ii) serve only that Owner's Parcel, irrespective of whether the utility line is located on Common Area, or another Parcel. The Association shall maintain, repair and replace those portions of all electric, gas, sewer, water and other utility lines, pipes wires and conduits situated within Common Area which (i) are not maintained by a public or quasi-public entity or utility company and (ii) serve more than one (1) Parcel.

5.3.3 Storm Water Improvements: Each Owner shall maintain, repair and replace those portions of all storm water pipes and other storm water Improvements situated on their Parcel, excluding Common Area (which shall be maintained by the Association) or Shared Maintenance Areas as shown on the Maintenance Plat (which shall be maintained in accordance with Section 5.6, below).

5.4 LIMITATIONS:

5.4.1 Architectural Committee Approval: Alterations may be made to the interior of a Building if the Owner complies with all laws and ordinances regarding alterations and remodeling. Any proposals for Alterations to the exteriors of a Building or to the portions of a Parcel not covered by a Building shall be made in accordance with the provisions of Article XI.

5.4.2 Loading Docks: No loading docks are permitted within the Project without the approval of Declarant, except (i) on Parcel 7 along the southern elevation of the Building constructed on this Parcel and (ii) on Parcel 8 along the western elevation of the Building constructed on this Parcel.

5.4.3 Fences: Unless otherwise approved by Declarant, no fence may be constructed within the Project except along the boundary of the Project on Parcels 7 and 8. The construction of any fence is subject to the approval of the Architectural Committee.

5.5 LANDSCAPING: All landscaping in the Project shall be maintained and cared for in a manner consistent with the standards of design and quality as originally established by Declarant and in a condition comparable to that of other well maintained areas in the vicinity of the Project. All landscaping shall be maintained in a neat and orderly condition. Any weeds shall be removed and any diseased or dead lawn, trees, ground cover or shrubbery shall be removed and replaced. All lawn areas shall be neatly mowed and trees and shrubs shall be neatly trimmed. Other specific restrictions on landscaping may be established in the Rules. Irrigation systems, if any, shall be fully maintained in good working condition to ensure continued regular watering of landscape areas, and health and vitality of landscape materials.

5.5.1 Common Area: The Association shall maintain all landscaping located on Common Area.

5.5.2 Parcels: Each Owner shall maintain all landscaping located within the Owner's Parcel, excluding the Common Area.

5.6 SHARED MAINTENANCE: The provisions of this Section 5.6 shall be individually applied to each Shared Landscape Area and Shared Private Drive which serves a group of Parcels, as indicated on the Maintenance Plat. The term "Obligated Owner," as used in this Section 5.6, shall refer to Parcels designated on the Maintenance Plat as having the obligation to maintain a particular Shared Landscape Area or Shared Private Drive.

5.6.1 Maintenance Standards: The term "Maintenance," as used in this Section 5.6 shall in the case of Shared Landscape Area, refer to all work required to maintain the landscaping within the Shared Landscape Area to the standards provided in Section 5.5, above. The term "Maintenance," as used in this Section 5.6 shall in the case of Shared Private Drive, refer to all work required to maintain, repair and, when necessary, replace and reconstruct the paved surface located on the Shared Private Drive and all storm drainage Improvements within the Shared Private Drive which serve more than one (1) Parcel. At all times the Shared Private Drives shall be maintained in a good, safe and usable condition, in good repair, and in compliance with all applicable state, county and local ordinances.

5.6.2 When Maintenance Required: Maintenance shall be required when determined by a majority of the Obligated Owners. The preceding sentence shall not extend to any Maintenance required as a result of the willful or negligent act of an Owner, or its family, contract purchasers, lessees, or tenants, or their licensees, guests, invitees or contractors and/or workmen providing services for individual Owners. Rather, any Maintenance required as a result of such negligence or willful action shall be the responsibility of the Owner to whom the

willful or negligent act is attributed. In the event that the Obligated Owners cannot agree with respect to the necessity for or standard of Maintenance, the contractors to be engaged to perform any Maintenance, or any other matters pertaining to the use or Maintenance of the Shared Landscape Area or Shared Private Drive, the dispute shall be submitted to the Board for arbitration and the decision of the Board shall be final.

5.6.3 Allocation of Costs: The costs of performing the Maintenance shall be shared by the Obligated Owners in accordance with the percentages set forth in the Maintenance Plat.

5.6.4 Indemnity and Right of Contribution: Each Obligated Owner shall be liable for an equal share of all costs, damages, attorneys' fees, expenses and liabilities arising from injury to person or property occurring on the Shared Private Drive for which (i) any Owner is held liable by virtue of the fact that it is the Owner of the Private Drive or the fact that the Obligated Owners failed to adequately perform Maintenance, or (ii) all Obligated Owners are held liable by virtue of their ownership of an easement or the fact that the Obligated Owners failed to adequately perform Maintenance. Any Obligated Owner who pays greater than their share of such costs, damages, attorneys' fees, expenses and liabilities shall have a right of contribution against any Obligated Owner who has paid less than their share of such costs, damages, attorneys' fees, expenses and liabilities.

5.7 RIGHT OF MAINTENANCE AND ENTRY BY ASSOCIATION: If an Owner fails to perform maintenance and/or repair which that Owner is obligated to perform pursuant to this Declaration, and if the Association determines, after Notice and Hearing given pursuant to the provisions of the Bylaws, that such maintenance and/or repair is necessary to preserve the attractiveness, quality, nature and/or value of the Project, the Association may cause such maintenance and/or repair to be performed. The costs of such maintenance and/or repair shall be charged to the Owner of the Parcel as a Reimbursement Assessment. In order to effectuate the provisions of this Declaration, the Association may enter any Parcel whenever entry is necessary in connection with the performance of any maintenance or construction which the Association is authorized to undertake. Entry within a Parcel shall be made with as little inconvenience to an Owner as practicable and only after reasonable advance written notice of not less than forty-eight (48) hours, except in emergency situations.

5.8 DAMAGE AND DESTRUCTION -- ASSOCIATION: The term "restore" shall mean repairing, rebuilding or reconstructing a damaged Improvement to substantially the same condition and appearance in which it existed prior to fire or other casualty damage. If fire or other casualty damage extends to any Improvement which is insured under an insurance policy held by the Association, the Association shall proceed with the filing and adjustment of all claims arising under the existing insurance policies. The insurance proceeds shall be paid to and held by the Association.

5.8.1 Bids: Whenever restoration is to be performed pursuant to this Section, the Board shall obtain such bids from responsible licensed contractors to restore the damaged Improvement as the Board deems reasonable; and the Board, on behalf of the Association, shall contract with the contractor whose bid the Board deems to be the most reasonable.

5.8.2 Proceeds: The costs of restoration of the damaged Improvement shall be funded pursuant to the provisions and in the priority established by this Section 5.8.2. A lower priority procedure shall be utilized only if the aggregate amount of funds then available pursuant to the procedures of higher priority are insufficient to restore the damaged Improvement. The following funds and procedures shall be utilized:

1. The first priority shall be any insurance proceeds paid to the Association under existing insurance policies.

2. The second priority shall be all Reserve Account funds designated for the repair or replacement of the capital Improvement(s) which has been damaged.

3. The third priority shall be funds raised by a Special Assessment against all Owners levied by the Board.

5.9 DAMAGE OR DESTRUCTION: If all or any portion of a Building or Parcel, other than Common Area, is damaged by fire or other casualty, the Owner of the Improvement shall either (i) restore the damaged Improvements or (ii) remove all damaged Improvements, including foundations, and leave the Parcel in a clean and safe condition. Any restoration under clause (i) preceding must be performed so that the Improvements are in substantially the same condition in which they existed prior to the damage, unless the Owner complies with the provisions of Article XI. Unless extended by the Board, the Owner must commence such work within one hundred eighty (180) days after the damage occurs and must complete the work within one (1) year thereafter.

5.10 CONDEMNATION OF COMMON AREA: If all or any portion of the Common Area is taken for any public or quasi-public use under any statute, by right of eminent domain or by purchase in lieu of eminent domain, the entire award shall be deposited into the Current Operation Account until distributed. The Association shall distribute such funds equally to all Owners and shall represent the interests of all Owners.

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ARTICLE VI
FUNDS AND ASSESSMENTS

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6.1 COVENANTS TO PAY: Declarant and each Owner covenant and agree to pay to the Association the assessments and any Additional Charges levied pursuant to this Article VI.

6.1.1 Liability for Payment: The obligation to pay assessments shall run with the land so that each successive record Owner of a Parcel shall in turn be liable to pay all such assessments. No Owner may waive or otherwise escape personal liability for assessments or release the Owner's Parcel from the liens and charges hereof by non-use of the Common Area, abandonment of the Parcel or any other attempt to renounce rights in the Common Area or the facilities or services within the Project. Each assessment shall constitute a separate assessment and shall also be a separate, distinct and personal obligation of the Owner of the Parcel at the time when the assessment was levied and shall bind the Owner's heirs, devisees, personal representatives and assigns. Any assessment not paid when due is delinquent. The personal obligation of an Owner for delinquent assessments shall not pass to a successive Owner unless

the personal obligation is expressly assumed by the successive Owner. No such assumption of personal liability by a successor Owner (including a contract purchaser under an installment land contract) shall relieve any Owner from personal liability for delinquent assessments. After an Owner transfers fee title of record to a Parcel, the Owner shall not be liable for any charge thereafter levied against that Parcel.

6.1.2 Funds Held in Trust: The assessments collected by the Association shall be held by the Association for and on behalf of each Owner and shall be used solely for the operation, care and maintenance of the Project as provided in this Declaration.

6.1.3 Offsets: No offsets against any assessment shall be permitted for any reason, including, without limitation, any claim that the Association is not properly discharging its duties.

6.2 REGULAR ASSESSMENTS:

6.2.1 Payment of Regular Assessments: Regular Assessments for each fiscal year shall be established when the Board approves the Budget for that fiscal year. Regular Assessments shall be levied on a fiscal year basis; however, each Owner shall be entitled to pay the Regular Assessment in twelve (12) equal monthly installments, one installment payable on the first day of each calendar month during the fiscal year, as long as the Owner is not delinquent in the payment of any monthly installment. If an Owner fails to pay any monthly installment by the sixtieth (60th) day after the date the installment was due, the Board may terminate that Owner's right to pay the Regular Assessment in monthly installments and declare the then unpaid balance of the Regular Assessment for that year immediately due and payable. Regular Assessments shall commence for all Parcels on the first day of the first month following the month in which the first Parcel is conveyed to an Owner and may commence prior to that date at the option of Declarant.

6.2.2 Allocation of Regular Assessments: The total amount of the Association's anticipated revenue attributable to Regular Assessments as reflected in the Budget for that fiscal year shall be allocated equally among the Parcels.

6.2.3 Non-Waiver of Assessments: If before the expiration of any fiscal year the Association fails to fix Regular Assessments for the next fiscal year, the Regular Assessment established for the preceding year shall continue until a new Regular Assessment is fixed.

6.3 SPECIAL ASSESSMENTS: Special Assessments may be levied in addition to Regular Assessments for (i) constructing capital Improvements, (ii) correcting an inadequacy in the Current Operation Account, (iii) defraying, in whole or in part, the cost of any construction, reconstruction, unexpected repair or replacement of Improvements in the Common Area, or (iv) paying for such other matters as the Board may deem appropriate for the Project. Special Assessments shall be levied in the same manner as Regular Assessments.

6.4 REIMBURSEMENT ASSESSMENTS: The Association shall levy a Reimbursement Assessment against an Owner to (a) reimburse the Association for the costs of repairing damage caused by that Owner or that Owner's Invitee or (b) if a failure to comply with the Project Documents has resulted in (i) an expenditure of monies, including attorneys' fees, by

the Association to bring the Owner or the Owner's Parcel or Improvements into compliance or (ii) the imposition of a fine or penalty. A Reimbursement Assessment shall be due and payable to the Association when levied. A Reimbursement Assessment shall not be levied by the Association until Notice and Hearing has been given in accordance with the Bylaws.

6.5 ACCOUNTS:

6.5.1 Types of Accounts: Assessments collected by the Association shall be deposited into at least two (2) separate accounts with a responsible financial institution, which accounts shall be clearly designated as (i) the Current Operation Account and (ii) the Reserve Account. The Board shall deposit those portions of the assessments collected for current maintenance and operation into the Current Operation Account and shall deposit those portions of the assessments collected as reserves for replacement and deferred maintenance of major components which the Association is obligated to repair, restore, replace or maintain into the Reserve Account.

6.5.2 Reserve Account: The Association shall not expend funds from the Reserve Account for any purpose other than the maintenance, repair or replacement of the Common Area.

6.5.3 Current Operation Account: All other costs properly payable by the Association shall be paid from the Current Operation Account.

6.6 BUDGET, FINANCIAL STATEMENTS, REPORTS AND STUDIES:

6.6.1 Preparation and Distribution of Budget: The Board shall annually prepare, adopt and distribute a Budget of the estimated revenues and expenses on an accrual basis. The Budget shall also set forth the current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the Common Area required to be maintained by the Association.

6.6.2 Annual Report: The Board shall annually prepare and distribute an income and expense statement and summaries of such other financial accounting information as shall be prepared for the Association.

6.6.3 Notice of Increased Assessments: The Board shall provide notice to the Owners of any increase in Regular Assessments or the levy of any Special Assessments within fifteen (15) days after the adoption of a resolution establishing the increased Regular Assessment or levying the Special Assessment.

6.6.4 Statement of Outstanding Charges: Within ten (10) days of a written request by an Owner, the Association shall provide a written statement to the Owner which sets forth the amounts of delinquent assessments, penalties, attorneys' fees and other charges against that Owner's Parcel. A charge for the statement may be made by the Association, not to exceed the reasonable costs of preparation and reproduction of the statement.

6.7 ENFORCEMENT OF ASSESSMENTS:

6.7.1 Procedures: In addition to all other remedies provided by law, the Association, or its authorized representative, may enforce the obligations of the Owners to pay each assessment provided for in this Declaration in any manner provided by law or by either or both of the following procedures:

(a) By Suit: The Association may commence and maintain a suit at law against any Owner personally obligated to pay a delinquent assessment. The suit shall be maintained in the name of the Association. Any judgment rendered in any action shall include the amount of the delinquency, and such additional costs, fees, charges and expenditures ("Additional Charges") and any other amounts as the court may award. A proceeding to recover a judgment for unpaid assessments may be maintained without the necessity of foreclosing or waiving the lien established herein.

(b) By Lien: The Association or a trustee nominated by the Association may commence and maintain proceedings to establish and/or foreclose assessment liens. No action shall be brought to foreclose a lien until the lien is created by recording a Notice of Delinquent Assessment ("Notice"). Prior to recording a Notice, the Association shall: (i) notify the affected Owner in writing by certified mail of the fee and penalty procedures of the Association; (ii) provide an itemized statement of the charges owed by the Owner, including items on the statement which indicate the principal owed, any late charges, the method of calculation, and attorneys' fees; and (iii) describe the collection practices used by the Association, including the right of the Association to recover reasonable costs of collection. The Notice must be authorized by the Board, signed by an authorized agent and recorded in the Official Records of the County. The Notice shall state the amount of the delinquent assessment(s), the Additional Charges incurred to date, a legal description of the Parcel, the name(s) of the record Owner(s) thereof and the name and address of the trustee, if any, authorized by the Association to enforce the lien by sale and shall be signed by the person authorized to do so by the Board, or if no one is specifically designated, by the President or Chief Financial Officer. No later than ten (10) days after recordation of the Notice, copies of the Notice shall be mailed to all record owners of the Parcel in the manner set forth in Section 2924b of the California Civil Code. After the expiration of thirty (30) days following the recording of a Notice, the lien may be foreclosed as provided in Section 1367 of the Civil Code of the State of California.

6.7.2 Additional Charges: In addition to any other amounts due or any other relief or remedy obtained against an Owner who is delinquent in the payment of any assessments, each Owner agrees to pay such Additional Charges as the Association may incur or levy in collecting the monies due and delinquent from that Owner. All Additional Charges shall be included in any judgment in any suit or action brought to enforce collection of delinquent assessments or may be levied against a Parcel as a Reimbursement Assessment. Additional Charges shall include, but not be limited to, the following:

(a) Attorneys' Fees: Reasonable attorneys' fees and costs incurred in the event an attorney(s) is employed to collect any assessment or sum due, whether by suit or otherwise;

(b) Late Charges: A late charge in an amount to be fixed by the Board in accordance with the then current laws of the State of California to compensate the Association for additional collection costs incurred in the event any assessment or other sum is not paid when due or within any "grace" period established by law;

(c) Costs of Suit: Costs of suit and court costs incurred as are allowed by the court;

(d) Interest: Interest on the delinquent assessment and Additional Charges at a rate fixed by the Board in accordance with the then current laws of the State of California; and

(e) Other: Any such other additional costs that the Association may incur in the process of collecting delinquent assessments or sums.

6.7.3 Satisfaction of Lien: All amounts paid by an Owner toward a delinquent assessment shall be credited first to reduce the principal amount of the debt. Upon payment or other satisfaction of a delinquent assessment for which a Notice was recorded, the Association shall record a certificate stating the satisfaction and release of the assessment lien.

6.7.4 Lien Eliminated By Foreclosure: If the Association has recorded a Notice of Delinquent Assessment and the lien is eliminated as a result of a foreclosure of a Mortgage or a transfer pursuant to the remedies provided in the Mortgage, the new Owner of the Parcel shall pay to the Association a pro-rata share of the Regular Assessment for each month remaining in the Association's fiscal year after the date of the foreclosure or transfer pursuant to the remedies provided in the Mortgage.

6.8 SUBORDINATION OF LIEN: Notwithstanding any provision to the contrary, the liens for assessments created pursuant to this Declaration shall be subject and subordinate to and shall not affect the rights of the holder of a First Mortgage made in good faith and for value. Upon the foreclosure of any First Mortgage on a Parcel, any lien for assessments which became due prior to such foreclosure shall be extinguished; provided, however, that after such foreclosure there shall be a lien on the interest of the purchaser at the foreclosure sale to secure all assessments, whether Regular or Special, charged to such Parcel after the date of such foreclosure sale, which lien shall have the same effect and shall be enforced in the same manner as provided herein. For purposes of this Section, a Mortgage may be given in good faith or for value even though the Mortgagee has constructive or actual knowledge of the assessment lien provisions of this Declaration.

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ARTICLE VII
MEMBERSHIP IN AND DUTIES OF THE ASSOCIATION

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7.1 THE ORGANIZATION: The Association is a nonprofit mutual benefit corporation. Its affairs shall be governed by and it shall have the powers set forth in the Project Documents.

7.2 MEMBERSHIP: Each Owner (including Declarant for so long as Declarant is an Owner), by virtue of being an Owner, shall be a Member of the Association. No other person shall be accepted as a Member. Association membership is appurtenant to and may not be separated from the ownership of a Parcel. Membership shall terminate upon termination of Parcel ownership. Ownership of a Parcel shall be the sole qualification for Association membership. Membership shall not be transferred, pledged or alienated in any way except upon transfer of title to the Owner's Parcel (and then only to the transferee of title to such Parcel). Any attempt to make a prohibited transfer is void. Membership shall not be related to the use or non-use of the Common Area and may not be renounced. The rights, duties, privileges and obligations of all Members shall be as provided in the Project Documents.

7.3 VOTING: Any action required by law or by the Project Documents to be approved by the Owners, the Members or each class of Members shall be approved, if at all, in accordance with the procedures set forth in the Bylaws.

7.4 RULES: The Board may propose, adopt, amend and repeal Rules appropriate for the management of the Project, which are consistent with the Project Documents. The Rules may also establish architectural controls and may govern the use of the Common Area by Owners or their Invitees. After adoption, a copy of the Rules shall be furnished to each Owner. Owners shall be responsible for distributing the Rules to their tenants.

7.5 TRANSFERS OF COMMON AREA: Subject to any applicable provision in the Bylaws, the Board shall have the power and right in the name of the Association and all of the Owners as their attorneys-in-fact to grant, convey, dedicate, mortgage, or otherwise transfer to any Owner or other person or entity, fee title, easements, exclusive use easements, security rights or other rights or licenses in, on, over or under the Common Area that, in the sole discretion of the Board, are in the best interests of the Association and its Members. Notwithstanding anything herein to the contrary, in no event shall the Board take any action authorized hereunder that would permanently and unreasonably interfere with the use, occupancy and enjoyment by any Owner of that Owner's Parcel without the prior written consent of that Owner.

7.6 INSURANCE: The Board shall make every reasonable effort to obtain and maintain the insurance policies as provided in this Section. If the Board is unable to purchase a policy or if the Board believes that the cost of the policy is unreasonable, the Board shall call a special meeting of Members to determine what action to take. The Board shall comply with any resolution concerning insurance coverage adopted at such a meeting.

7.6.1 General Provisions and Limitations: All insurance policies shall be subject to and, where applicable, shall contain the following provisions and limitations:

(a) Underwriter: All policies (except earthquake insurance) shall be written with a company legally qualified to do business in the State of California and (i) holding a "B" or better general policyholder's rating and a "6" or better financial performance index rating as established by Best's Insurance Reports, (ii) reinsured by a company described in (i), above, or (iii) if such a company is not available, the best rating possible or its equivalent.

(b) Named Insured: Unless otherwise provided in this Section, the named insured shall be the Association or its authorized representative, as a trustee for the Owners. However, all policies shall be for the benefit of Owners and their Mortgagees, as their interests may appear.

(c) Authority to Negotiate: Exclusive authority to adjust losses under policies obtained by the Association shall be vested in the Board; provided, however, that no Mortgagee having an interest in such losses may be prohibited from participating in any settlement negotiations related thereto.

(d) Contribution: In no event shall the insurance coverage obtained and maintained by the Association be brought into contribution with insurance purchased by Owners or their Mortgagees.

(e) General Provisions: To the extent possible, the Board shall make every reasonable effort to secure insurance policies providing for the following:

(i) A waiver of subrogation by the insurer as to any claims against the Board, the manager, the Owners and their respective servants, agents and guests;

(ii) That the policy will be primary, even if an Owner has other insurance which covers the same loss;

(iii) That no policy may be cancelled or substantially modified without at least ten (10) days' prior written notice to the Association and to each First Mortgagee listed as a scheduled holder;

(iv) An agreed amount endorsement, if the policy contains a coinsurance clause;

(v) A guaranteed replacement cost or replacement cost endorsement; and

(vi) An inflation guard endorsement.

(f) Term: The period of each policy shall not exceed three (3) years. Any policy for a term greater than one (1) year must permit short rate cancellation by the insureds.

(g) Deductible: The policy may contain a reasonable deductible and the amount of the deductible shall be added to the face amount of the policy in determining whether the insurance equals replacement cost.

7.6.2 Types of Coverage: Unless the Association determines otherwise pursuant to Section 7.6, the Board shall obtain at least the following insurance policies in the amounts specified:

(a) Property Insurance: A Special Form or "All-Risk" policy of property insurance for all insurable Common Area Improvements, including fixtures and building service equipment, against loss or damage by fire or other casualty, in an amount equal to the full replacement cost (without respect to depreciation) of the Common Area, and exclusive of land, foundations, excavation and other items normally excluded from coverage. A replacement cost endorsement shall be part of the policy.

(b) Liability Insurance: A combined single limit policy of liability insurance in an amount not less than Three Million Dollars ($3,000,000.00) covering the Common Area and all damage or injury caused by the negligence of the Association, the Board or any of its agents or the Owners against any liability to the public or to any Owner incident to the use of or resulting from any accident or intentional or unintentional act of an Owner or a third party occurring in or about any Common Area. If available, each policy shall contain a cross liability endorsement in which the rights of the named insured shall not be prejudiced with respect to any action by one named insured against another named insured.

(c) Worker's Compensation: Worker's compensation insurance to the extent necessary to comply with all applicable laws of the State of California or the regulations of any governmental body or authority having jurisdiction over the Project.

(d) Other Insurance: Other types of insurance as the Board determines to be necessary to fully protect the interests of the Owners.

(e) Insurance by Owner: Each Owner, at that Owner's sole cost and expense, shall obtain insurance coverage which the Owner considers necessary or desirable to protect that Owner and that Owner's Parcel, Building and personal property; provided, however, that no Owner shall be entitled to maintain insurance coverage in a manner so as to decrease the amount which the Association, on behalf of all Owners and their Mortgagees, may realize under any insurance policy which the Association may have in effect at any time.

7.6.3 Annual Review: The Board shall review the adequacy of all insurance, including the amount of liability coverage and the amount of property damage coverage, at least once every year. At least once every three years, the review shall include a replacement cost appraisal of all insurable Common Area Improvements without respect to depreciation. The Board shall adjust the policies to provide the amounts and types of coverage and protection that are customarily carried by prudent owners of similar property in the area in which the Project is situated.

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ARTICLE VIII
DEVELOPMENT RIGHTS

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8.1 LIMITATIONS OF RESTRICTIONS: Declarant is undertaking the work of developing Parcels and other Improvements within the Project. The completion of the development and the marketing, sale, lease, rental and/or other disposition of the Parcels is essential to the establishment and welfare of the Project. In order that the work may be completed and the Project established as rapidly as possible, nothing in this Declaration shall be interpreted to deny Declarant the rights set forth in this Article.

8.2 RIGHTS OF ACCESS AND COMPLETION OF CONSTRUCTION: Until the fifth (5th) anniversary of the commencement of Regular Assessments, Declarant, its contractors and subcontractors shall have the right to: (i) obtain reasonable access over and across the Common Area and/or do within any Parcel owned or controlled by it whatever is reasonably necessary or advisable in connection with the completion of the Project; and (ii) erect, construct and maintain on the Common Area- and/or within any Parcel owned or controlled by it such structures as may be reasonably necessary for the conduct of its business to complete the work, establish the Project and dispose of the Project in parcels by sale, lease, rental or otherwise. Each Owner acknowledges that: (a) the construction of the Project may occur over an extended period of time; (b) the Owner's quiet use and enjoyment of the Owner's Parcel may be disturbed as a result of the noise, dust, vibrations and other nuisances associated with construction activities; and (c) the nuisances will continue until the completion of the construction of the entire Project.

8.3 APPEARANCE OF PROJECT: Declarant shall not be prevented from changing the exterior appearance of Buildings, landscaping or any other matter directly or indirectly connected with the Project in any manner deemed desirable by Declarant, if Declarant obtains all governmental consents required by law.

8.4 MARKETING RIGHTS: Declarant shall have the right to: (i) maintain sales and construction trailers, leasing offices, rental offices, storage areas, parking lots and related facilities in any Parcels owned or controlled by Declarant or Common Area as are necessary or reasonable, in the opinion of Declarant, for the construction, sale, lease, rental or other disposition of the Parcels; (ii) make reasonable use of the Common Area for the construction, sale, lease, rental or other disposition of Parcels; and (iii) conduct its business of disposing of Parcels by sale, lease, rental or otherwise.

8.5 AMENDMENT: The provisions of this Article may not be amended without the written consent of Declarant.

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ARTICLE IX
RIGHTS OF MORTGAGEES

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9.1 CONFLICT: Notwithstanding any contrary provision in the Project Documents, the provisions of this Article shall control with respect to the rights and obligations of Mortgagees specified herein.

9.2 INSPECTION OF BOOKS AND RECORDS: Upon request, any Owner or First Mortgagee shall be entitled to inspect and copy the books, records and financial statements of the Association, the Project Documents and any amendments thereto during normal business hours.

9.3 FINANCIAL STATEMENTS FOR MORTGAGEES: If an audited financial statement for the immediately preceding fiscal year is available, the Association shall provide a copy to any Mortgagee who makes a written request for it. If an audited financial statement is not available, any Mortgagee who desires to have an audited financial statement of the Association may cause an audited financial statement to be prepared at the Mortgagee's expense.

The audited financial statement shall be available within one hundred twenty (120) days of the end of the Association's fiscal year.

9.4 MORTGAGE PROTECTION: A breach of any of the conditions or the enforcement of any lien provisions contained in this Declaration shall not defeat or render invalid the lien of any First Mortgage made in good faith and for value as to any Parcel in the Project; but all of the covenants, conditions and restrictions contained in this Declaration shall be binding upon and effective against any Owner of a Parcel if the Parcel is acquired by foreclosure, trustee's sale or otherwise.

ARTICLE X
AMENDMENT AND ENFORCEMENT

10.1 AMENDMENTS: Prior to the conveyance of the first Parcel to an Owner other than a Declarant, any Project Document may be amended by Declarant alone. After the conveyance of the first Parcel, the Project Documents may be amended by the approval of each class of Members; provided however, that no provision of this Declaration which provides for a vote of more than fifty-one percent (51%) may be amended by a vote less than the percentage specified in the Section to be amended. Any amendment to this Declaration shall be effective upon the recordation in the Official Records of the County of an instrument executed by the President and Secretary of the Association which sets forth the terms of the amendment and a statement which certifies that the required percentage of Members has approved the amendment.

10.2 ENFORCEMENT:

10.2.1 Rights to Enforce: Subject to the provisions of Section 10.4, Declarant, the Association and/or any Owner shall have the power to enforce the provisions of the Project Documents in any manner provided by law or in equity and in any manner provided in this Declaration. In addition to instituting appropriate legal action, the Association may temporarily suspend an Owner's voting rights and/or levy a fine against an Owner in a standard amount to be determined by the Board from time to time. No determination of whether a violation has occurred may be made until Notice and Hearing has been provided to the Owner pursuant to the Bylaws. If legal action is instituted by the Association, any judgment rendered shall include all appropriate Additional Charges. Notwithstanding anything to the contrary contained in this Declaration, the Association has no power to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of the Owner's Parcel, including access thereto over and across the Common Area, due to the Owner's failure to comply with the provisions of the Project Documents unless the loss or forfeiture is the result of the judgment of a court, an arbitration decision, a foreclosure proceeding or a sale conducted pursuant to this Declaration. The provisions of this Declaration are equitable servitudes, enforceable by any Owner or the Association against the Association or any other Owner in the Project. Except as otherwise provided, Declarant, the Association or any Owner(s) has the right to enforce, in any manner permitted by law or in equity, any and all of the provisions of the Project Documents, including any decision made by the Association, upon the Owners, the Association or upon any property in the Project.

10.2.2 Violation of Law: The Association may treat any Owner's violation of any state, municipal or local law, ordinance or regulation, which creates a nuisance to the other Owners in the Project or to the Association, in the same manner as a violation of the Project Documents by making such violation subject to any or all of the enforcement procedures set forth in this Declaration, as long as the Association complies with the Notice and Hearing requirements.

10.2.3 Remedies Cumulative: Each remedy provided in this Declaration is cumulative and not exclusive.

10.2.4 Nonwaiver: The failure to enforce the provisions of any covenant, condition or restriction contained in this Declaration will not constitute a waiver of any right to enforce any such provisions or any other provisions of this Declaration.

10.3 DISPUTES BETWEEN OWNERS AND DECLARANT: Before any Owner initiates arbitration in accordance with the provisions of Section 10.4, the Owner and Declarant shall first attempt, in good faith, to resolve the dispute informally by negotiation. Either party may initiate negotiations by writing a letter to the other party describing the nature of the dispute and any proposals to resolve the dispute. The letter shall be sent by certified mail and shall be deemed received three (3) days after its deposit in the U.S. Mail. The recipient shall respond, within ten (10) days of receipt of the letter, either with a letter that addresses the dispute and its proposed resolution or by requesting a meeting of the parties. The meeting(s) shall be held at a mutually acceptable location. After at least one exchange of letters or at least one meeting of the parties, should either party honestly believe that the dispute cannot be resolved informally, then that party shall so notify the other party either personally at a meeting or in writing. At this point, either party may initiate arbitration as provided herein. Should either party refuse to participate in the negotiations, then upon expiration of the ten (10) day initial response time, the party who sent the initiating letter may commence arbitration proceedings in accordance with the provisions of Section 10.4.

If the dispute involves an alleged problem with materials, design or construction of any portion of the Project, then Declarant shall have the right to inspect the alleged problem before any such meeting or any written response is required from Declarant. If Declarant elects to attempt to cure the alleged problem, Claimant shall allow Declarant to perform whatever work is deemed necessary by Declarant during normal working hours. Declarant agrees to begin its curative work within thirty (30) days after the first meeting between the parties. If the dispute remains unresolved after the good faith attempt to negotiate has been concluded or if the curative action performed by Declarant is not undertaken as promised or does not resolve the alleged problem, then either party may initiate arbitration as provided herein in accordance with the provisions of Section 10.4.

10.4 MANDATORY BINDING ARBITRATION: Any disputes, claims, issues or controversies between any Owner and Declarant or between the Association and Declarant regarding any matters that arise out of or are in any way related to the Project, the relationship between Owner and Declarant or the relationship between the Association and Declarant, whether contractual or tort, including, but not limited to, the purchase, sale, condition, design, construction or materials used in construction of any portion of the Project or the agreement

between Declarant and any Owner to purchase a Parcel or any related agreement, including, but not limited to warranties, disclosures, or alleged construction defects (latent or patent), (collectively "disputes") except as otherwise set forth herein, shall be resolved through the procedures established in this Declaration. The party who has a dispute with Declarant is referred to as the "Claimant" in this Section. If negotiations fail then all such disputes shall be resolved by neutral, binding arbitration and not by any court action except as provided for judicial review of arbitration proceedings by California law. Except as otherwise set forth herein, the arbitration proceedings shall be conducted by and in accordance with the rules of Judicial Arbitration and Mediation Services, Inc. (JAMS/Endispute) or any successor thereto and, except for procedural issues, the arbitration proceedings, the ultimate decisions of the arbitrator, and the arbitrator shall be subject to and bound by existing California case and statutory law including, but not limited, to applicable statutes of limitation such as California Code of Civil Procedure Sections 337, 337.15(a), 338(d), 340, and 340(3). Nothing herein shall toll, extend, shorten or otherwise affect any applicable statute of limitation. Should JAMS/Endispute cease to exist, as such, then all references herein to JAMS/Endispute shall be deemed to refer to its successor or, if none, to the American Arbitration Association (in which case its commercial arbitration rules shall be used).

10.4.1 Selection and Timing: The matter shall be heard by one (1) arbitrator. Within five (5) business days of receipt of a written request from one of the parties to arbitrate a claim, JAMS/Endispute shall provide a list of five (5) qualified names to both parties. The term "qualified" shall mean a retired judge (or if none is available then an attorney, licensed to practice in California having at least fifteen (15) years of experience) with a strong emphasis on the laws governing real estate matters, especially those dealing with real estate development and construction. Each side will strike one name (based on reasons listed in CCP Section 1297.121 or 1297.124 or for no reason at all) until one is left (which shall be the appointed arbitrator), unless the parties sooner agree. The parties shall have no more than three (3) business days for the striking of each name. The initiating party shall be the first party to strike a name and submit it to the other party.

10.4.2 Discovery: Except as limited herein, each party shall be entitled to discovery to the extent provided in Section 1283.05 of the Code of Civil Procedure or any successor statute thereto. Each party shall have the right to depose the expert witnesses of the other party and to conduct two other depositions of its choice without the need to obtain an order of the arbitrator. All other depositions, document requests, requests for admissions and similar discovery shall be conducted under the direction and supervision of the arbitrator. No party shall be entitled to bring any motion to exclude or limit the evidence to be submitted to the arbitrator. No party shall have any other discovery rights except as authorized by the arbitrator for good cause.

10.4.3 Full Disclosure: Both parties shall, in good faith, make a full disclosure of all issues and evidence to the other party prior to the hearing. Any evidence or information that the arbitrator determines was unreasonably withheld shall be inadmissible by the party which withheld it. The initiating party shall be the first to disclose all of the following, in writing, to the other party and to the arbitrator an outline of the issues and its position on each such issue; a list of all witnesses it intends to call; and copies of all written reports and other documentary evidence whether or not written or contributed to by its retained experts (collectively "outline").

The initiating party shall submit its outline to the other party and the arbitrator within thirty (30) days of the final selection of the arbitrator. The responding party shall submit its written response as directed by the arbitrator. If the dispute involves alleged construction defects, then the Claimant shall be the first party to submit its written outline, list of witness, and reports/documents and shall include a detailed description of the nature and scope of the alleged defect(s), its proposal for repair or restoration any repairs made to date and an estimate of the cost of repair/restoration together with the calculations used to derive the estimate.

10.4.4 Hearing: The hearing shall be held in the County. The hearing shall commence within ninety (90) days of the receipt by the parties of the list of names of proposed arbitrators from JAMS/Endispute unless this date is determined to be infeasible by the arbitrator in which case the arbitrator shall select the next available date for the hearing. The arbitration shall be conducted as informally as possible. Neither the rules of admissibility of evidence nor the Evidence Code of the State of California shall be applicable except for Evidence Code Section 1152 et seq. which shall be applicable for the purpose of excluding from evidence offers, compromises, and settlement proposals, unless both parties consent to their admission. The arbitrator shall be the sole judge of the admissibility of and the probative value of all evidence offered and is authorized to provide all legally recognized remedies whether in law or equity. Attorneys are not required and either party may elect to be represented by someone other than a licensed attorney. Cost of an interpreter shall be born by the party requiring the services of the interpreter in order to be understood by the arbitrator. Except as set forth herein, the arbitration shall be conducted pursuant to Title 9 of the California Code of Civil Procedure, Section 1280 et seq.

10.4.5 Decision: The decision of the arbitrator shall be binding on the parties and may be entered as a judgment in any court of the State of California that has jurisdiction and venue. In no event shall the award of the arbitrator include any component for punitive or exemplary damages. The arbitrator shall cause a complete record of all proceedings to be prepared similar to those kept in the Superior Court; shall try all issues of both fact and law; and shall issue a written statement of decision, such as that described in Code of Civil Procedure Section 643 (or its successor) which shall specify the facts and law relied upon in reaching his/her decision within twenty (20) days after the close of testimony.

10.4.6 Fees and Costs: Notwithstanding any statute to the contrary, including Code of Civil Procedure Section 645.1, each party shall bear their own costs of the hearing, including attorneys' fees. No attorneys fees or costs shall be awarded to either party but each party shall be solely responsible for its own attorneys' fees and costs, including, expert witnesses, consultants, reports, and similar costs. The total cost of the arbitration proceedings, including the advanced initiation fees and other fees of JAMS/Endispute and any related costs and fees incurred by JAMS/Endispute (such as experts and consultants retained by it) shall be borne as determined by the arbitrator, regardless of the outcome

10.4.7 Reference Alternative: To the extent that either party may be otherwise entitled to bring an action at law pursuant to California Code of Civil Procedure Section 1298.7, or if a court of competent jurisdiction determines that the dispute resolution set forth herein is void or unenforceable, the entire matter shall proceed as one of judicial reference pursuant to Code of Civil Procedure Section 638 et seq. The rules of procedure set forth herein shall be the

rules of procedure for the reference proceeding, unless precluded by law. JAMS/Endispute shall hear, try and decide all issues of both fact and law and make any required findings of facts and, if applicable, conclusions of law and report these along with the judgment to the supervising court within twenty (20) days after the close of testimony.

The parties shall cooperate and diligently perform such acts as may be necessary to carry out the purposes of this Section.

ARTICLE XI
ARCHITECTURAL AND LANDSCAPING CONTROL

11.1 APPLICABILITY:

11.1.1 Generally: Except as otherwise provided in this Declaration, proposals for Alterations (which includes all landscaping, except as provided in 11.1.2, below) are subject to the provisions of this Article and may not be made until approved in accordance with the provisions of this Article.

11.1.2 Exceptions: The provisions of this Declaration requiring architectural approvals do not apply to repainting or refinishing any Improvement in the same color, hue, intensity, tone, and shade or repairing or replacing any Improvement with the same materials. The provisions of this Declaration requiring architectural approvals include planting or removing landscaping except for landscaping which at maturity will not be visible from other Parcels. The Architectural Standards may establish additional exceptions from time to time.

11.1.3 Declarant Exemption: The provisions of this Declaration requiring architectural approvals shall not apply to the original construction of any Improvements on a Parcel by Declarant, its agents, contractors or employees. The provisions of this paragraph may not be amended without the consent of Declarant until all of the Parcels in the Project owned by Declarant have been conveyed.

11.1.4 Relationship to Governmental Approvals: Proposals for Alterations may also be subject to review and approval by state or local governmental entities or agencies. Satisfying the provisions of this Declaration does not automatically satisfy any requirement for governmental approval, permitting or inspection. All approvals, permits and inspections which are required under local, state or federal law for any proposed Alteration are the responsibility of the Owner and must be obtained by the Owner in addition to the approvals required by this Declaration.

11.2 MEMBERS AND VOTING:

11.2.1 Initial Committee: The Architectural Committee ("Committee") shall initially consist of three (3) members. Declarant shall appoint all of the original members of the Committee and all replacements until the tenth (10th) anniversary of commencement of Regular Assessments. After the tenth (10th) anniversary of commencement of Regular Assessments, the terms of the members of the Committee appointed by Declarant shall terminate.

11.2.2 Appointment by Owners: Commencing upon the tenth (10th) anniversary of commencement of Regular Assessments, the Committee shall consist of up to eight (8) members, one member appointed by the Owner of each Parcel (if an Owner owns more than one (1) Parcel, then that Owner shall appoint one (1) member, but that member shall have one (1) vote for each Parcel owned). All members will serve until they resign or are replaced by the Owner that appointed them. All decisions of the Committee shall be made by majority vote, based upon one (1) vote for each Parcel which that member represents; provided, however, no member shall cast a vote with respect to a Parcel which is the subject of the application.

11.3 DUTIES AND POWERS:

11.3.1 Duties: The Committee shall review and approve, conditionally approve, or deny all plans, submittals, applications and requests made or tendered to it by Owners or their agents, pursuant to the provisions of this Declaration. In connection therewith, the Committee may investigate and consider the architecture, design, layout, landscaping, and other features of the proposed Improvements.

11.3.2 Architectural Standards: The Committee, from time to time and in its sole discretion, may adopt architectural rules, regulations and guidelines ("Architectural Standards"). The Architectural Standards may impose specific requirements on individual Parcels if those requirements are reasonable in light of specific Parcel topography, visibility or other factors. The Architectural Standards will be effective when they are adopted by the Committee. The Architectural Standards shall interpret and implement the provisions of this Declaration by setting forth the standards and procedures for architectural review and guidelines for architectural design, placement of buildings, color schemes, exterior finishes and materials, landscaping, fences, and similar features which may be used in the Project; provided, however, that the Architectural Standards may not be in derogation of the minimum standards established by this Declaration. The Architectural Standards may include a schedule of fees for processing submittals (which shall not exceed the amount necessary to defray all costs incurred by the Committee in processing the submittals) and establish the time and manner in which such fees will be paid. The Architectural Standards will constitute Rules.

11.3.3 Powers: The Committee may adopt rules and regulations for the transaction of business, scheduling of meetings, conduct of meetings and related matters. The Committee may also adopt criteria, consistent with the purpose and intent of this Declaration to be used in making its determination to approve, conditionally approve or deny any matter submitted to it for decision.

11.3.4 Consultants: With the consent of the Board, the Committee may hire and the Association shall pay consulting architects, landscape architects, urban designers, engineers, inspectors, and/or attorneys in order to advise and assist the Committee in performing its duties.

11.4 APPLICATION FOR APPROVAL OF IMPROVEMENTS: Any Owner, except Declarant and its designated agents, who wants to perform any Alteration for which approval is required shall notify the Committee in writing of the nature of the proposed work and shall furnish such information as may be required by the Architectural Standards or reasonably requested by the Committee.

11.5 BASIS FOR APPROVAL OF IMPROVEMENTS: The Committee may approve the proposal only if the Committee determines that (i) the plans and specifications conform to this Declaration and to the Architectural Standards in effect at the time the proposal was submitted and (ii) the proposed Alteration will be consistent with the standards of the Project and the provisions of this Declaration as to harmony of exterior design, visibility with respect to existing structures and environment, and location with respect to topography and finished grade elevation.

11.6 FORM OF APPROVALS, CONDITIONAL APPROVALS AND DENIALS: All approvals, conditional approvals and denials must be in writing. Any denial of a proposal must state the reasons for the decision to be valid. Any proposal which has not been rejected in writing within sixty (60) days from the date of submission will be deemed approved.

11.7 WORK: Upon approval of the Committee, the Owner must diligently proceed with the commencement and completion of all work so approved. Completion of the-work approved must occur within one (1) year following the approval of the work unless the Architectural Committee grants an extension. This Section shall not be interpreted to extend any other time period imposed by this Declaration. If the Owner fails to complete the work within the required time period, the Committee may notify the Owner in writing of the non-compliance and shall proceed in accordance with the provisions of Section 11.9, below.

11.8 DETERMINATION OF COMPLIANCE: Any work performed, whether or not the Owner obtained proper approvals, may be inspected and a determination of compliance made as follows:

11.8.1 Notice of Completion: Upon the completion of any work performed by an Owner for which approval was required, the Owner must give written notice of completion to the Committee.

11.8.2 Inspection: Within sixty (60) days after the Committee's receipt of the Owner's notice of completion, or, if the Owner fails to give a written notice of completion to the Committee within the completion period specified in Section 11.7, above, a designee of the Committee may inspect the work performed and determine whether it was performed and completed in substantial compliance with the approval granted. If the Committee finds that the work was not performed or completed in substantial compliance with the approval granted or if the Committee finds that the approval required was not obtained, the Committee shall notify the Owner in writing of the non-compliance. The notice shall specify the particulars of non-compliance and require the Owner to remedy the non-compliance.

11.9 FAILURE TO REMEDY THE NON-COMPLIANCE: If the Committee has determined that an Owner has not constructed an Improvement consistently with the specifications of the approval granted or within the time permitted for completion and if the Owner fails to remedy such non-compliance in accordance with the provisions of the notice of non-compliance, then after the expiration of thirty (30) days from the date of such notification, the Committee shall notify the Board, and the Board shall provide Notice and Hearing to consider the Owner's continuing non-compliance. At the Hearing, if the Board finds that there is no valid reason for the continuing non-compliance, the Board shall determine the estimated costs

of correcting it. The Board shall then require the Owner to remedy or remove the same within a period of not more than forty-five (45) days from the date of the Board's determination. If the Owner does not comply with the Board's ruling within such period or within any extension of such period as the Board, in its discretion, may grant, the Board may either remove the non-complying Improvement or remedy the non-compliance. The costs of such action shall be assessed against the Owner as a Reimbursement Assessment.

11.10 WAIVER: Approval of any plans, drawings or specifications for any work proposed, or for any other matter requiring approval shall not be deemed to constitute a waiver of any right to deny approval of any similar plan, drawing, specification or matter subsequently submitted for approval.

11.11 APPEAL OF DECISION OF COMMITTEE: This Section does not apply if the Board has dissolved the Committee or during the period of time that a majority of the Members of the Architectural Committee have been appointed by Declarant. If the Owner who applied or who the Committee determined should have applied for approval of an Alteration on a Parcel or Building disputes the jurisdiction or powers of the Committee or any requirement, rule, regulation or decision of the Committee applicable to the denial or conditional approval of the Owner's application (collectively referred to as "decision"), that Owner may appeal such decision to the Board. The Board shall notify the Owner of the time, date and place of a hearing to review the decision of the Committee. The notice shall be given at least fifteen (15) days prior to the date set for the hearing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after it has been deposited in the United States mail, first class, postage prepaid, addressed to the Owner at the address given by the Owner to the Board for the purpose of service of notices or to the address of the Owner's Parcel if no other address has been provided. After the hearing has taken place, the Board shall notify the Owner of its decision. The decision shall become effective not less than five (5) days after the date of the hearing. The determination of the Board shall be final.

11.12 NO LIABILITY: If members of the Architectural Committee have acted in good faith, neither the Committee nor any member will be liable to the Association or to any Owner for any damage, loss or prejudice suffered or claimed due to: (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective; (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings, and specifications; (c) the development of any property within the Project; or (d) the execution and filing of any estoppel certificate, whether or not the facts therein are correct.

11.13 EVIDENCE OF APPROVAL OR DISAPPROVAL: After a determination of compliance is made pursuant to Section 11.8, the Board may issue a written Notice of Architectural Determination. The Notice of Architectural Determination must be executed by any two (2) Directors and shall certify that as of the date of the Notice either (i) the work completed complies with the provisions of this Declaration and the approval(s) issued by the Architectural Committee ("Notice of Approval") or (ii) the work completed does not comply with the provisions of this Declaration or the approval(s) issued by the Architectural Committee ("Notice of Disapproval"). A Notice of Disapproval must also identify the particulars of the non-compliance. Any successor in interest of the Owner will be entitled to rely on a Notice of Architectural Determination with respect to the matters set forth. Each Owner must disclose to

the Owner's subsequent purchaser any Notice of Disapproval unless the Owner has a subsequently issued Notice of Approval which covers the same Alteration. The Notice of Architectural Determination will be conclusive as between the Association, the Architectural Committee, Declarant and all Owners and such persons deriving any interest through any of them. Any Owner may make a written request that the Board prepare and execute a Notice of Architectural Determination, and the Board must do so within sixty (60) days of its receipt of the request.

ARTICLE XII
MISCELLANEOUS PROVISIONS

12.1 TERM OF DECLARATION: This Declaration will continue for a term of fifty (50) years from its date of recordation. Thereafter, this Declaration will be automatically extended for successive periods of ten (10) years until two-thirds (2/3) of the Owners approve a termination of this Declaration.

12.2 CONSTRUCTION OF PROVISIONS: The provisions of this Declaration are to be liberally construed to effect its purpose of creating a uniform plan for the development and operation of a planned development pursuant to the provisions of the Davis-Stirling Common Interest Development Act, Section 1350 et seq. of the California Civil Code.

12.3 BINDING: This Declaration is for the benefit of and binding upon all Owners, their respective heirs, legatees, devisees, executors, administrators, guardians, conservators, successors, purchasers, tenants, encumbrancers, donees, grantees, mortgagees, lienors and assigns.

12.4 SEVERABILITY OF PROVISIONS: The provisions hereof shall be deemed independent and severable, and the invalidity or unenforceability of any one provision will not affect the validity or enforceability of any other provision hereof.

12.5 GENDER. NUMBER AND CAPTIONS: As used herein, the singular includes the plural and masculine pronouns include feminine pronouns, where appropriate. The title and captions of each paragraph hereof are not a part thereof and shall not affect the construction or interpretation of any part hereof.

12.6 REDISTRIBUTION OF PROJECT DOCUMENTS: Upon the resale of any Parcel by any Owner, the Owner must supply a copy of each of the Project Documents to the buyer of the Parcel.

12.7 EXHIBITS: All exhibits attached to this Declaration are incorporated by this reference as though fully set forth herein.

12.8 REQUIRED ACTIONS OF ASSOCIATION: The Association shall at all times take all reasonable actions necessary for the Association to comply with the terms of this Declaration or to otherwise carry out the intent of this Declaration.

12.9 SUCCESSOR STATUTES: Any reference in the Project documents to a statute will be deemed a reference to any amended or successor statute.

12.10 CONFLICT: In the event of a conflict, the provisions of this Declaration will prevail over the Bylaws and the Rules.

IN WITNESS WHEREOF, the undersigned has executed this Declaration on the 6th day of July, 2001.

DECLARANT: GREENVILLE INVESTORS L.P., a California limited partnership

By: /s/ W. A. Drummond

Name: W.A. DRUMMOND

Title: Vice President

Greenville Ventures, Inc.
General Partner

STATE OF CALIFORNIA
}ss.
COUNTY ALAMEDA

On July 6, 2001, before me, Stacey M. Fortner, Notary Public, personally appeared William A. Drummond, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity), and that by his signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

/s/ Stacey M. Fortner
Notary Public

STACEY M. FORTNER
COMMISSION # 1233595
NOTARY PUBLIC - CALIFORNIA
ALAMEDA COUNTY
MY COMM. EXPIRES AUG 31, 2003

EXHIBITS

A	Maintenance Plat - Association Maintained Areas
B-1	Maintenance Plat - Shared Maintenance Area
B-2	Maintenance Plat - Shared Maintenance Area

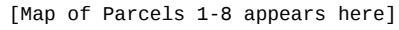

EXHIBIT A
ASSOCIATION MAINTAINED
AREAS
JMH WEISS INC.

DESCRIPTION TO ACCOMPANY
EXHIBIT A

The Association Maintained Areas shall consist of all landscape areas abutting the public right-of-way, all textured paving at the drive entries to the site, all under and above ground utilities and the hardscape and landscape areas designated on Exhibit A.

Refer to Exhibit A for area designations.

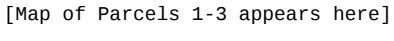

EXHIBIT B-1
SHARED MAINTENANCE
AREA
JMH WEISS INC.

[Map of Parcels 4-6 appears here]

EXHIBIT B-2
SHARED MAINTENANCE
AREA
JMH WEISS INC.

DESCRIPTION TO ACCOMPANY
EXHIBITS B-1 AND B-2

The shared maintenance areas include the hardscape, underground and above ground utilities in between buildings excluding all landscape islands, transformers and trash enclosures, which shall be the responsibility of the owner of the parcel on which they are located. The shared maintenance areas shall not include any hardscape, underground or above ground utilities within 5-feet of the buildings.

Refer to exhibits B-1 and B-2 for the area designations.

The following is a breakdown of the Shared Maintenance Areas

Shared Maintenance Area A

Parcel 1		50%
Parcel 3		50%

Shared Maintenance Area B

Parcel 1	-	25%
Parcel 2	-	50%
Parcel 3	-	25%

Shared Maintenance Area C

Parcel 4	-	50%
Parcel 6	-	50%

Shared Maintenance Area D

Parcel 4	-	25%
Parcel 5	-	50%
Parcel 6	-	25%

SUBORDINATION AND CONSENT

HOUSING CAPITAL COMPANY, a Minnesota partnership ("Lender") as Beneficiary under the deed of trust ("Deed of Trust") executed by GREENVILLE INVESTORS, L.P., a California limited partnership, and recorded on June 9, 2000, as Series No. 2000173764 in the Official Records of the County of Alameda, State of California, hereby subordinates the lien of the Deed of Trust to the lien of the Declaration of Covenants, Conditions and Restrictions of Pacific Corporate Center ("Declaration") to which this Subordination and Consent is attached to the same extent and with the same force and effect as though the Declaration had been executed and recorded prior to the execution and recordation of the Deed of Trust.

Dated: July 27, 2001

LENDER:

HOUSING CAPITAL COMPANY, A MINNESOTA PARTNERSHIP

BY: DFP Financial, Inc., a California partnership

ITS: Managing General Partner

/s/ Norma J. Avery
- ------------------

BY: Norma J. Avery

ITS: Vice President

STATE OF CALIFORNIA
ss.
COUNTY OF SAN MATEO

On July 27, 2001, before me, Carolyn R Shipley, a Notary Public, personally appeared Norma J. Avery, personally known to me (or 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 on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

/s/ Carolyn R. Shipley

CAROLYN R. SHIPLEY
COMMISSION # 1256748
NOTARY PUBLIC - CALIFORNIA
SAN MATEO COUNTY
MY COMM. EXPIRES MAR 13, 2004

EXHIBIT H

NON-DISCLOSURE AGREEMENT

FFI Contact Name: _____ FFI Contact Phone: _____

FORMFACTOR, INC.
NON-DISCLOSURE AGREEMENT

(COMPANY)

This Non-Disclosure Agreement ("Agreement") dated as of _____ ("Effective Date"), is by and between FormFactor, Inc. ("FormFactor"), a Delaware corporation, having an office at 5666 La Ribera Street, Livermore, CA 94550, and

Name: , _____
having an office at

Street Address:_____,

City, State, Zip Code:_____, on its own behalf and on behalf of its parents, subsidiaries and affiliated companies (collectively "Recipient").

FormFactor desires to disclose, and Recipient desires to receive for its own internal evaluation, information relating to certain of FormFactor's technologies and business strategies, which information is deemed to be confidential, secret and/or proprietary to FormFactor, for the sole purpose of assisting in the determination of their mutual interest in a business relationship ("Purpose"). Accordingly, FormFactor and Recipient agree as follows:

1. CONFIDENTIAL INFORMATION.

1.1 "Confidential Information" shall mean:

(a) All information disclosed by FormFactor to Recipient whether such information is disclosed in written, graphic, electronic, oral or sample form; and

(b) All component specifications, component and contact structures, equipment designs, electronic configurations, manufacturing processes and methodologies, including any information which can be obtained by examination, testing, repair, reverse engineering and analysis of any hardware, or component part thereof comprising, relating to, or a part of a product manufactured or assembled with FormFactor's technology, notwithstanding the fact that the requirements for marking and designation referred to in Paragraph 2.1 have not been fulfilled.

1.2 Confidential Information shall not include information that Recipient can demonstrate, through extant, contemporaneously prepared, written records:

(a) Is or becomes part of the public domain through no fault or breach on the part of Recipient, any of its subsidiaries, affiliates or persons to whom Confidential Information is disclosed as permitted by this Agreement; or

(b) Is known to Recipient or any of its subsidiaries or affiliates prior to the disclosure by FormFactor; or

(c) Is subsequently rightfully obtained by Recipient or any of its subsidiaries or affiliates from a third party who has the legal right to disclose or transfer it to Recipient.

2. DISCLOSURE AND PROTECTION OF CONFIDENTIAL INFORMATION.

2.1 As to any information which FormFactor regards as "Confidential Information", disclosures by FormFactor following the Effective Date are subject to and in FormFactor's sole and absolute discretion and will be made as follows:

(a) If such information is in writing, or in a drawing, or in some other tangible form, such information at the time of such disclosure will be clearly marked as "Confidential Information"; and

(b) In the event that such information is orally disclosed, as may happen during exchanges between the parties, FormFactor shall state that the information disclosed is Confidential Information.

2.2 As to any information whether or not specifically designated by FormFactor as "Confidential Information" (as hereinabove described), FormFactor reserves all of its rights and remedies as may now or in the future be accorded to FormFactor under the patent and copyright laws as may apply to the disclosure or use of such information by Recipient.

2.3 Recipient shall use Confidential Information solely and exclusively for the purpose of this Agreement. Recipient shall not use Confidential Information for the benefit of any other party, or disclose, publish, disseminate or copy Confidential Information or any part thereof, to any other person, corporation or other organization without, in each case, obtaining the prior written consent of FormFactor. Recipient shall restrict any and all circulation of Confidential Information to a limited number of its employees on a "need to know basis" for the exclusive purpose of reviewing the Confidential Information for the Purpose of this Agreement. Recipient acknowledges that all information is provided "AS IS" and without any warranty, whether express or implied, as to its accuracy or completeness, non-infringement or use for particular purpose.

2.4 Recipient shall not reverse engineer, decompile or disassemble any of the Confidential Information or any products or samples containing Confidential Information; provided, however, Recipient may examine FormFactor's products or samples for the sole purpose of internally evaluating them. Recipient may examine FormFactor's products or samples for the sole purpose of internally evaluating them. Recipient shall use its best efforts to safeguard against the unauthorized use or disclosure of Confidential Information, and take security precautions at least as great as the precautions it takes to protect its own confidential and proprietary information and materials.

2.5 Notwithstanding anything to the contrary herein provided, Recipient shall not:

(a) Deliver or leave any samples; parts or products containing Confidential Information to or with third party;

(b) Disclose to any third party the manufacturing or assembly process used by FormFactor, or the structure of FormFactor's electronic interconnect technology products; and/or

(c) Disclose to any third party any evaluation and testing date or results, unless FormFactor gives prior written approval of such disclosure.

2.6 Neither execution of this Agreement nor the furnishing of any Confidential Information to Recipient shall be construed as granting to Recipient, either expressly or by implication, estoppel, or otherwise, any license or right to (a) make use of any such Confidential Information, or (b) any patents or other intellectual property of FormFactor, other than for the purpose. Recipient agrees that neither it nor any of its subsidiaries, affiliates or representatives will use Confidential Information for outer than

the purpose without the specific and written express consent of FormFactor prior to such use. Furthermore, Recipient agrees that Confidential Information is the sole property of FormFactor and that Recipient has no proprietary interest in such information whatsoever.

2.7 Within ten (10) business days of receipt of FormFactor's written request, Recipient will return to

FormFactor all information and materials, including but not limited to documents, drawings, programs, lists, models, records, compilations, notes, extracts, summaries, and any samples or parts containing Confidential Information, and all copies thereof containing Confidential Information, regardless of whether prepared by FormFactor or Recipient or any of its subsidiaries, affiliates or representatives. Fur purposes of this Paragraph 2.7, the term "documents" includes all information fixed in any tangible medium or expression, in whatever furor or format whether known or hereafter created.

2.8 Recipient hereby acknowledges and agrees that unauthorized use or disclosure of Confidential Information Would cause serious and irreparable harm and significant injury to FormFactor that may be difficult or impossible to ascertain. Accordingly, Recipient agrees that FormFactor will have, in addition to all outer remedies at law or in equity, the right to seek and obtain immediate injunctive relief for the actual or threatened unauthorized use or disclosure of Confidential Information. Recipient shall notify FormFactor immediately upon the discovery of any unauthorized disclosure or use of Confidential Information, or any other breach of this Agreement by Recipient. Recipient will cooperate with FormFactor in every reasonable way to help FormFactor regain possession of the Confidential Information and prevent further unauthorized use.

3. EXPORT RESTRICTIONS. Recipient agrees that it will not in any form export, reexport, resell, ship or divert or cause to be exported, reexported, resold, stripped or diverted, directly or indirectly, any product or technical data to any country for which the United States Government or any agency thereof at the time of export or reexport requires an export license or other government approval without first obtaining such approval.

4. TERMS. This Agreement shall be effective as of the Effective Date and may be terminated by FormFactor with respect to further disclosures upon thirty (30) days written notice. All obligations of confidentiality and restrictions on the use of Confidential Information created under and by this Agreement shall remain in force and effect for five (5) years from the date any Confidential Information is or was disclosed by FormFactor Recipient or, in the event that FormFactor and the Recipient enter into a business relationship following the date of this Agreement, five (5) years following the date such business relationship terminates, whichever is later. All other terms and conditions of this Agreement shall survive the termination of this Agreement.

5. NO OBLIGATIONS. This Agreement and any action taken pursuant to the terms and conditions hereof shall not obligate either party to enter into any other business relationship. The terms and conditions of any such relationship shall be subject to separate negotiation and agreement of the parties.

6. MISCELLANEOUS.

6.1 This Agreement is the entire agreement between FormFactor and Recipient with respect to the subject matter contained herein and supersedes any prior or contemporaneously oral or written agreements concerning this subject matter. This Agreement may not be amended except by written agreement signed by authorized representatives of both parties. No waiver of any provision of this Agreement shall constitute a waiver of any other provision(s) or of the same provision on another occasion. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remaining provisions shall remain in full force and effect.

6.2 This Agreement may not be assigned or transferred by Recipient without FormFactor's prior written consent.

6.3 This Agreement will be governed and construed in accordance with the laws of the State of California, without regard to its conflict of laws principles. The parties hereby agree to submit themselves to the jurisdiction of the federal and state courts within Santa Clara County, California.

IN WITNESS THEREOF, FormFactor and Recipient have executed this Agreement as of the Effective Date.

"FORMFACTOR":	"RECIPIENT":
FormFactor, Inc.	Name: _____ (Individual or Company, as applicable)
By: _____ (Signature)	By: _____ (Signature)
Name: _____ (Printed Name)	Name: _____ (Printed Name)
Title: _____ (Authorized Officer)	Title: _____ (Authorized Officer)

EXHIBIT I

LIST OF COMPETITORS

The following is a list of Tenant's competitors:

Kulicke and Soffa
Wentworth
JEM
MJC
Tessera
Cascade Microtech
Feinmetal

EXHIBIT J

ACKNOWLEDGEMENT OF COMMENCEMENT DATE

THIS ACKNOWLEDGMENT OF COMMENCEMENT DATE is made as of _____, 2001, by and between the undersigned parties with reference to that certain Lease (the "LEASE") dated as of _____, by and between Greenville Investors, L.P., as "LANDLORD" therein, and Form Factor, Inc. as "TENANT," for the premises commonly known as "BUILDING 3", located in the Pacific Corporate Center, in the City of Livermore, California, as more particularly described in the Lease. All capitalized terms referred to herein shall have the same meaning defined in the Lease, except where expressly provided to the contrary.

1. Landlord and Tenant hereby confirm that in accordance with the provisions of the Lease, the Commencement Date of the Term has occurred and is _____, and that, unless sooner terminated, the initial term thereof expires on _____. If Tenant elects to exercise its first extension option pursuant to the terms of the Lease, Tenant must deliver written notice to Landlord by no later than _____.

2. This Acknowledgment of Commencement Date shall inure to the benefit of, and bind, the parties hereto, and their respective heirs, successors and assigns, subject to the restrictions upon assignment and subletting contained in the Lease.

IN WITNESS WHEREOF, the parties have executed this acknowledgement of Commencement Date as of the date first above written.

LANDLORD:	TENANT:
GREENVILLE INVESTORS, L.P. a California limited partnership	FORM FACTOR, INC.,
By: Greenville Ventures, Inc. Title: Greenville Partner	By: _____
	Its: _____
By: _____	
Its: _____	

EXHIBIT 10.22
CONFIDENTIAL TREATMENT REQUESTED

BASIC PURCHASE AGREEMENT
IN THE FOLLOWING REFERRED TO AS "Agreement"

BETWEEN

INFINION Technologies AKTIENGESELLSCHAFT, BERLIN AND MUNCHEN
- IN THE FOLLOWING REFERRED TO AS "INFINION" or "BUYER" -

AND

WHITEOAK SEMICONDUCTOR PARTNERSHIP, HENRICO COUNTY, VIRGINIA
- IN THE FOLLOWING REFERRED TO AS "WhiteOak" or "BUYER" -

AND

PROMOS TECHNOLOGIES INC., HSINCHU, TAIWAIN
- IN THE FOLLOWING REFERRED TO AS "ProMOS" or "BUYER"

AND

FormFactor INC., LIVERMORE, CALIFORNIA
- IN THE FOLLOWING REFERRED TO AS "VENDOR" -

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

1. PURPOSE OF THIS AGREEMENT

This Agreement will serve as the basis for purchase of Multi-DUT Memory Probe Cards by INFiNION, Whiteoak, and ProMOS from FormFactor, Inc. (the "Purpose"). In the case of ProMOS, this Agreement will terminate (with respect to ProMOS only), if ProMOS ceases to manufacture semiconductor products solely for INFiNION. Except for the use of the parties' names in their individual sense in Sections 13.4, and 15.3 of this Agreement, all references to "INFiNION" or "BUYER" in this Agreement and the Appendices attached hereto apply equally to INFiNION, Whiteoak, and ProMOS (except for the different termination provisions for ProMOS, described above). This Agreement will be an integral part of any purchase orders for probe cards, and as such will be attached to all purchase orders issued by BUYER for VENDOR's * * * and * * *DUT * * * and * * * probe cards and associated services, hereinafter referred to as "Products."

1.1 Subject of this Agreement is the procurement of Products.

1.2 The Product(s) will be delivered in accordance with the purchase order(s) issued by BUYER and accepted by VENDOR (such accepted purchase order(s) hereinafter referred to as "Individual Contract(s)"). Such Individual Contracts shall specify only the quantity, price, and time of delivery. All other terms of Individual Contracts shall be contained in this Agreement.

1.3 All technical documentation required to operate and maintain the Product(s) shall be provided and shipped with the Products.

2. INDIVIDUAL CONTRACT (PURCHASE ORDER)

2.1 BUYER shall furnish purchase orders to VENDOR.

2.2 VENDOR shall have the right to accept, reject or modify purchase orders. VENDOR shall accept, reject or modify the orders and communicate such action to the responsible purchasing department at BUYER within *** after receipt thereof. BUYER has the right to cancel the purchase order or Individual Contract without cost in the case of VENDOR's non-fulfillment of the said *** time frame, but such cancellation must be communicated no later than *** after VENDOR's late acceptance of the purchase order. In the event VENDOR modifies a purchase order, the Individual Contract shall not be valid until BUYER communicates acceptance of the modified purchase order.

2.3 The conditions of this Agreement shall apply to all purchase orders of BUYER regarding the Products and to any confirmation of verbal or written purchase order or order modification by BUYER even if they do not refer to it expressly.

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2.4 If subsequent to the acceptance of any purchase order BUYER requires an earlier or later delivery date than as agreed, the parties shall use all commercially reasonable efforts to find an acceptable solution for both sides.

2.5 No purchase order or Individual Contract may be canceled within * * * days of the delivery date. * * * before the end of each quarter, BUYER shall provide to VENDOR a * * * month forecast for its purchases of Product(s) per APPENDIX 2.

3. DELIVERY

3.1 Delivery shall be effected free carrier (FCA) Livermore, CA (place of manufacture) in accordance with the INCOTERMS 1990. The freight carrier will be *** if not agreed otherwise. VENDOR will inform the freight carrier of the delivery date 7 days prior to the delivery at the latest.

3.2 The date for delivery of a Product is determined in the Individual Contract. All penalty-free changes of accepted delivery dates are only valid if these changes are requested by the responsible BUYER purchasing department. VENDOR-required changes in delivery dates shall be subject to the penalties described in Section 3.3 of this Agreement.

3.3 If the delivery of the Product is delayed from the accepted VENDOR delivery date, BUYER is entitled to claim a penalty against the purchase price in the amount of * * *% of the purchase price per * * * or part thereof, up to a maximum of * * *% of the purchase price. This penalty shall begin to accrue * * * after the accepted delivery date. First article designs and NRE shall be exempt from this penalty.

3.4 VENDOR will adhere to all export regulations regulating its acts in performance of this Agreement. Commercial documentation of deliveries are absolutely necessary and will accord to legal regulations of the countries of origin and receipt, minimal requirements are commercial invoice and packing list. If the conditions of legal export regulations are not observed by VENDOR the freight carrier is entitled to refuse transportation of the Product(s).

4. PACKAGING

4.1 Unless otherwise stated by BUYER in the individual case, the packaging shall protect the contractual Product(s) from such vibrations, shocks, temperature, temperature differences, humidity, pressure and radiation, as can be reasonably anticipated during shipment, in an adequate manner. The inner packaging shall fulfill the clean-room requirements applicable at BUYER and the outer packaging shall be labeled in such a way that the instructions for transport and the BUYER Internal Equipment Code (which is stated in the purchase order) of the shipment are clearly visible.

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4.2 The VENDOR shall provide the freight carrier with all necessary information about the following subjects within 2 weeks of VENDOR's acceptance of the Individual Contract:

- place of origin
- dimensions and weight
- possible export limitations and restrictions
- dangerous materials
- sources of danger
- technical particulars, which have to be taken into consideration during transport
- delivery date
- INFiNION Equipment Code

4.3 The stack-up of the packages shall be possible. Every package has to have an exact pack-list including a pro forma invoice for custom purpose only.

4.4 The deliveries of spare parts and back orders have to be marked as such.

4.5 Lashing and securing of the cargo must be effected by VENDOR in a manner that a safe transportation is guaranteed. VENDOR is liable for any damage incurred due to unfit or insecure packing, even in case of arranging a subcontractor.

5. FINAL ACCEPTANCE

5.1 The parties agree that the Product shall meet the Specifications defined in APPENDIX 8.

5.2 The Product shall be considered accepted by BUYER once the Product and required technical documentation has been completely delivered, the Specifications have been demonstrated by completion of the Product Acceptance Checklist (APPENDIX 9), and all import and/or export requirements have been met by the VENDOR. BUYER shall complete the Product Acceptance Checklist within * * * of receipt of the Product, or the Product shall be considered accepted.

6. PRICES, TERMS OF PAYMENT, DELIVERY TIMES

6.1 The prices for the Product(s) are based on agreed INCOTERMS, will be indicated in the Individual Contract, and will include all services to be rendered pursuant to the Individual Contract.

6.2 VENDOR offers volume based pricing for BUYER (as described in APPENDIX 1).

6.3 The payments are to be made within * * * following the date of invoice and without any deductions. All payments are in U.S. Dollars.

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6.4 VENDOR offers guaranteed 1st article and re-order delivery lead times as described in APPENDIX 3.

7. WARRANTY

7.1 Warranty: VENDOR warrants that Products are warranted to be, under normal use and conditions, free from defects in materials and workmanship for a total of * * * contacts of the Product with a surface ("touchdowns") or a period of * * * from the date of shipment to BUYER, whichever comes first (the "Warranty Period"). This limited warranty does not cover defects or damage due to acts of God, use or handling not in accordance with specifications or instructions, or repair or modification by anyone other than VENDOR or VENDOR's authorized agents. Without limiting the generality of the foregoing, a partial list of defects covered and not covered by this warranty is set forth below.

7.2 Covered by Warranty:

7.2.1 Electrical or mechanical failure of any component of the Product when operated under normal conditions as described in the Product specification.
7.2.2 Wear due to excessive cleaning when adhering to VENDOR-approved cleaning protocol

7.3 Not Covered by Warranty:

7.3.1 Damage due to overdrive in excess of specifications.
7.3.2 Damage due to improper handling.
7.3.3 Any damage caused by Metrology tools.
7.3.4 Any damage caused by loose contaminants or particulates.
7.3.5 Damage due to failure to follow VENDOR-approved cleaning procedures.
7.3.6 Operation outside specified temperature range.
7.3.7 Electrical current in excess of specifications.
7.3.8 Damage due to prober malfunction.

7.4 Sole Remedy: Should the Product fail to conform to the above warranty during the Warranty Period, BUYER'S sole remedy and VENDOR's sole obligation will be that a * * * will be * * * towards a * * * based on the * * * by the card. The * * * schedule is below:

FAILURE POINT	* * *
* * * touchdowns	* * *%
* * * touchdowns	* * * by * * * of * * *

7.5 Touchdown Calculation: VENDOR reserves the right to review BUYER'S method of determining the number of touchdowns a card has experienced. If VENDOR determines BUYER'S method is not sufficiently accurate, VENDOR and BUYER will develop a mutually agreed method of calculating touchdowns.

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7.6 Warranty Claims Process: If it is determined that the failure of the Product is covered by the limited warranty, VENDOR will * * * stating the * * *, and * * * to the * * * to * * *.

If VENDOR determines that any returned Product is not defective, VENDOR will provide a written statement setting forth VENDOR's conclusion that the returned Product was not defective. VENDOR will return the Product to BUYER at BUYER'S expense, freight collect and BUYER agrees to pay VENDOR's reasonable cost of handling and testing.

7.7 TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE WARRANTY AND REMEDIES SET FORTH ABOVE ARE IN LIEU OF ALL OTHERS, AND VENDOR EXPRESSLY DISCLAIMS ANY AND ALL OTHER WARRANTIES, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OF NONINFRINGEMENT, FITNESS FOR A PARTICULAR PURPOSE, OR MERCHANTABILITY. NO PERSON IS AUTHORIZED TO MAKE ANY OTHER WARRANTY OR REPRESENTATION CONCERNING THE PERFORMANCE OF THE PRODUCTS OTHER THAN AS PROVIDED IN THIS SECTION 7.

8. CHANGES IN THE PRODUCTS

8.1 Changes in the agreed Specifications or the outer design of the Product(s), which are requested by BUYER, shall be performed by VENDOR within a reasonable time if VENDOR agrees to perform such changes. If such changes to Specifications will affect delivery dates or prices of the Product(s), VENDOR shall inform BUYER thereof, and such Specification changes will be made only after BUYER consents to the changed delivery dates and prices.

8.2 VENDOR-initiated changes in the configuration or the Specification of the Product(s) can be made only after consent of BUYER. These changes shall be made in the form of an order which is submitted to VENDOR as a supplement to the order number.

9. SPARE PARTS

VENDOR agrees to keep spare parts on stock as described in APPENDIX 4.

10. TECHNICAL ASSISTANCE

10.1 At the request of BUYER, VENDOR shall assist with reasonable technical assistance in use of the Product(s).

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10.2 For this purpose a sufficient number of adequate qualified personnel (as described in APPENDIX 5) has to be provided in time.

11. RESEARCH AND DEVELOPMENT, NEW PRODUCTS AVAILABILITY, MANAGEMENT MEETINGS

11.1 VENDOR agrees to share it's * * * with BUYER on a regularly scheduled basis. BUYER agrees to provide inputs to the VENDOR for consideration in future product offerings.

11.2 VENDOR agrees to offer information regarding it's new WaferProbe products, as developed, as described in APPENDIX 6.

11.3 BUYER and VENDOR agree to participate in regularly scheduled management meetings to discuss BUYER product roadmap, VENDOR performance, and other important business and technical issues.

12. CONFIDENTIAL INFORMATION

12.1 For the purpose of this Agreement "Confidential Information" shall mean any information and data, including but not limited to any kind of business, commercial or technical information and data disclosed between the Parties in connection with this Agreement, irrespective of the medium in which such information or data is embedded, and which is - when disclosed orally or visually - identified as Confidential Information prior to disclosure, summarized in writing by the disclosing Party, and given to the receiving Party in such summary form within thirty (30) days of the subject oral or visual disclosure. In case of disagreement, the receiving Party must make any objections to the contents of the summary in writing within thirty (30) days of receipt. Confidential Information shall include any copies or abstracts made thereof as well as any modules, samples, prototypes or parts thereof.

12.2 All Confidential Information exchanged between the Parties pursuant to this Agreement:

12.2.1 shall be used exclusively for the Purpose of this Agreement, and the receiving Party shall be permitted to use Confidential Information disclosed to it pursuant to this Agreement only for such sole Purpose, unless otherwise expressly agreed to in writing by the disclosing Party;

12.2.2 shall not be distributed, disclosed, or disseminated in any way or form by the receiving Party to anyone except its own or its Subsidiaries' employees, who have a reasonable need to know said Confidential Information for the Purpose and who are bound to confidentiality by their employment agreements or otherwise. Subsidiary shall mean any company in which the receiving Party owns more than fifty percent (50%) of such company's voting capital;

12.2.3 shall be treated by the receiving Party with the same degree of care to avoid disclosure to any third party as is used with respect to the receiving Party's own information of like importance which is to be kept confidential;

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12.2.4 shall remain the property of the disclosing Party.

12.3 The obligations of paragraphs 12.2-12.2.4 shall not apply, however, to any information which:

12.3.1 the receiving Party can demonstrate is already in the public domain or becomes available to the public through no breach by the receiving Party of this Agreement;

12.3.2 was rightfully in the receiving Party's possession prior to receipt from the disclosing Party as proven by its written records;

12.3.3 is independently developed by the receiving Party as proven by its written records;

12.3.4 is approved for release by written agreement of the disclosing Party;

12.3.5 is required to be disclosed by law or the rules of any governmental organization; provided, however, that when a receiving Party becomes aware of an obligation to disclose Confidential Information to such governmental organization, that Party shall promptly notify the disclosing Party of such obligation, so that the disclosing party may seek a protective order or otherwise take action to resist such disclosure.

12.4 Either Party shall have the right to refuse to accept any information under this Agreement prior to any disclosure and nothing herein shall obligate either Party to disclose any particular information.

12.5 It is understood that no license or right of use under any patent or patentable right, copyright, trademark or other proprietary right is granted or conveyed by this Section 12 of this Agreement. The disclosure of Confidential Information and materials shall not result in any obligation to grant the receiving Party rights therein.

12.6. Confidential Information provided to either Party pursuant to this Agreement shall upon respective request of the disclosing Party either be returned to the disclosing Party or be destroyed by the receiving Party after termination of this Agreement. Such request shall be notified in writing by the disclosing Party to the receiving Party within ninety (90) days after termination of this Agreement. In case of destruction, the receiving Party shall confirm in writing such destruction to the disclosing Party.

13. TERM

13.1 This Agreement becomes effective upon signing by all parties and shall run for a 3 year period unless all parties agree to extend. It may be terminated by any party (with respect to that party only) effective at the end of each calendar year, upon six (6) months prior written notice.

13.2 BUYER is entitled to terminate any Individual Contract relating to this Agreement at any time. This is possible without cost for BUYER until * * * days prior to the accepted delivery date of

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the Product(s). Within such * * * day period, if BUYER terminates an Individual Contract, the amount payable to VENDOR under the terminated Individual Contract may be applied to a new Individual Contract for delivery within the same period as the terminated Individual Contract, provided that: (i) in VENDOR's sole determination it is feasible to deliver the Product covered by the new Individual Contract with such same period; and, (ii) VENDOR will deduct the non-recoverable costs it expended on the terminated Individual Contract from the amount of the credit applicable to the new Individual Contract. Otherwise, all Individual Contracts are non-terminable by BUYER without payment in full of the price specified in such Individual Contracts.

13.3 Any BUYER may terminate this Agreement (with respect to itself only) if VENDOR breaches any material term or condition of this Agreement and fails to cure such breach within thirty (30) days following receipt of written notice from the non-breaching BUYER. VENDOR may terminate this Agreement (with respect to the breaching BUYER only) if any BUYER breaches any material term or condition of this Agreement and fails to cure such breach within thirty (30) days following receipt of written notice from VENDOR.

13.4 This Agreement will terminate, with respect to ProMOS only, if ProMOS ceases to manufacture semiconductor products exclusively for INFiNION.

13.5 In the event of termination Sections 7, 12, 14, 15, 16 and 17 shall remain effective,

14. ASSIGNMENT

14.1 Any party may assign its rights and obligations under this Agreement to any Company which is a member of that party's Group of Companies in the sense of Articles 15 et seq. of the German Stock Corporation Act, provided that such party notifies all other parties in writing, the assignee agrees in writing to be bound by all terms of this Agreement, and such party agrees to remain responsible for the performance by the assignee of all provisions of this Agreement, including but not limited to the protection of VENDOR's Confidential Information.

15. ARBITRATION

15.1 All disputes arising out of or in connection with this Agreement or individual purchase contracts entered hereunder, including any questions regarding their existence, validity or termination, but excluding any disputes arising from any party's breach or alleged breach of Section 12 of this Agreement, shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce in Paris by three arbitrators in accordance with the said Rules.

15.2 Each party shall nominate one arbitrator for confirmation by the competent authority under the applicable Rules (Appointing Authority) (except that in the case of a dispute between more than one BUYER, on one side, and VENDOR on the other, the BUYERS shall nominate one arbitrator between them). Both arbitrators shall agree on the third arbitrator within 30 days. Should the two arbitrators fail, within the above time limit, to reach agreement on the third arbitrator, he shall be appointed by the Appointing Authority. If there are two or more defendants, any nomination of an arbitrator by or on behalf of such defendants must be by joint agreement between them. If such defendants fail, within the time limit fixed by the

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Appointing Authority, to agree on such joint nomination, the proceedings against each of them must be separated.

15.3 The seat of arbitration shall be London, unless the dispute to be arbitrated is between WhiteOak and FormFactor, in which case the seat of arbitration shall be New York. The procedural law of this place shall apply where the rules are silent.

15.4 The language to be used in the arbitration proceeding shall be English.

16. APPLICABLE LAW

This Agreement and individual purchase contracts signed between the parties hereunder shall be governed by and construed in accordance with the law in force in Germany. The application of the United Nations Convention on Contracts for the International Sale of Goods of April 11, 1980 shall apply.

17. GENERAL PROVISIONS

17.1 Except for Individual Contracts consistent with Section 1.2, this Agreement (together with the Appendices hereto) constitutes the complete and exclusive agreement between the parties pertaining to the subject matter hereof, and supersedes in their entirety any and all written or oral agreements previously existing between the parties with respect to such subject matter. Additional agreements and contractual changes must be made in writing in order to become effective.

17.2 If individual provisions of this Agreement are or are held to be invalid, the validity of the remaining provisions is not affected. In this case, the parties or the arbitration panel shall replace the invalid provision by a corresponding and appropriate valid provision.

17.3 TO THE MAXIMUM EXTENT PERMITTED BY LAW, EXCEPT FOR VIOLATIONS OF SECTION 12 OF THIS AGREEMENT AND CASES OF GROSS NEGLIGENCE AND INTENTIONAL ACTS, IN NO EVENT WILL ANY PARTY BE LIABLE FOR ANY LOST REVENUES, DATA, OR PROFITS, OR SPECIAL, INDIRECT, CONSEQUENTIAL, OR PUNITIVE DAMAGES WITH RESPECT TO ANY CLAIMS THAT MAY ARISE OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE TERMINATION THEREOF, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

17.4 VENDOR shall not be responsible for any failure to perform due to unforeseen circumstances or to causes beyond VENDOR's reasonable control, including but not limited to acts of God, war, riot, embargoes, acts of civil or military authorities, fire, floods, accidents, strikes, failure to obtain export licenses or shortages of transportation, facilities, fuel, energy, labor or materials. In the event of any such delay, VENDOR may defer the delivery date of orders for Products for a period equal to the time of such delay.

17.5 All parties agree to comply with all applicable international, national, state, regional and local laws and regulations in performing their duties hereunder and in any of their dealings with respect to the technical information and technology disclosed hereunder or direct products

thereof. In addition to such compliance and in particular:

(i) BUYER agrees that it will not reexport or release the software or technology it receives from VENDOR to any party involved in sensitive or unsafeguarded nuclear activities, or activities related to chemical or biological weapons or missiles unless authorized by the U.S. Export Administration Regulations or a license from the U.S. Department of Commerce ("DOC"); and,

(ii) Without limiting the generality of Sections 17.5 and 17.5(i) immediately above, BUYER agrees that it will not reexport or release any technical information or technology it receives from VENDOR, including under License Exception TSR, 15 C.F.R. Section 740.6, to a national of the countries named in Section 17.5(iv) below without a license exception or a license from DOC; and,

(iii) Without limiting the generality of Sections 17.5 and 17.5(i) above, BUYER agrees that it will not export the direct product of the technical information or technology it receives from VENDOR, including under License Exception TSR, to a country named in Section 17.5(iv) below without a license exception or a license from DOC if such foreign produced direct product is subject to national security controls as identified on the Commerce Control List, 15 C.F.R. Supp. No. 1 to Part 774.

(iv) Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Cambodia, Cuba, China (PRC), Estonia, Georgia, Iran, Iraq, Kazakhstan, Kyrgyzstan, Laos, Latvia, Libya, Lithuania, Moldova, Mongolia, North Korea, Romania, Russia, Rwanda, Serbia, Sudan, Syria, Tajikstan, Turkmenistan, Ukraine, Uzbekistan and Vietnam.

17.6 The sale of Products hereunder by VENDOR does not convey any license to BUYER under any patent, copyright, trade secret, trademark or other intellectual property right with respect to which VENDOR can grant licenses. BUYER agrees not to reverse engineer, disassemble or modify ("Reverse Engineer") any Product or any portion thereof without the express written permission of VENDOR. The parties acknowledge that under EU Directives or applicable local law, persons may have a legal right to Reverse Engineer certain interface information under certain limited conditions. In the event BUYER believes it has such a legal right to so Reverse Engineer any Product, or proposes to perform any Reverse Engineering of any Product, BUYER agrees to immediately notify VENDOR in writing of such belief, and/or of any proposed Reverse Engineering, and BUYER agrees to allow VENDOR a reasonable opportunity after VENDOR's receipt and acknowledgment of such notice to provide BUYER with sufficient interface information under reasonable terms before it performs any Reverse Engineering. Unless or until BUYER so notifies VENDOR, BUYER agrees that it has no legal right to Reverse Engineer any Product, and expressly waives any such rights it may have in any jurisdiction. VENDOR expressly reserves all of its rights with respect to any patent, copyright, trade secret, trademark and/or other proprietary rights.

17.7 Notwithstanding Section 7.7, subject to Section 17.3 of this Agreement, and subject to subsections 17.7.1 through 17.7.4 below, VENDOR will defend, indemnify and hold BUYER harmless from any actual loss, damages, liabilities and costs (including but not limited to reasonable attorney's fees and litigation costs), based upon a third party claim that BUYER's use of the Products sold hereunder, or any part thereof, constitutes a misappropriation of any

trade secret, or an infringement of any copyright, issued U.S. patent, issued German Patent, issued Taiwanese patent, or issued European patent enforceable in Germany. VENDOR's obligations under these Sections 17.7 through 17.7.4 ("VENDOR's Indemnity") shall arise only if (A) BUYER promptly notifies VENDOR when any such claim is made, (B) BUYER is not in default of this Agreement, (C) BUYER gives VENDOR sole control of the defense and settlement of any such claim, and (D) BUYER furnishes such information and assistance as VENDOR may reasonably request in connection with the defense, settlement or compromise of such claim.

17.7.1 Mitigation: In the event BUYER'S use of a Product is, or in VENDOR'S opinion is likely to be, successfully attacked as a result of the type of infringement or misappropriation specified in Section 17.7 above, VENDOR shall , at its sole option and expense, either: (A) procure for BUYER the right to continue using such Products under the terms of this Agreement; or (B) replace or modify such Products so that they are non-infringing and substantially equivalent in function to the enjoined Products; or (C) if options (A) and (B) above cannot be accomplished despite the reasonable efforts of VENDOR, then VENDOR or BUYER may both (i) terminate BUYER's rights and VENDOR's obligations under this Agreement with respect to such Products, and (2) VENDOR shall refund to BUYER the net revenue VENDOR received from BUYER for such Products conditioned upon BUYER's return of the Product to VENDOR.

17.7.2 Exclusions: VENDOR will have no obligations under Sections 17.7 and 17.7.1 above to the extent an infringement or misappropriation arises from: (A) modifications to the Products that were not authorized by VENDOR; (B) Product specifications requested by BUYER; (C) the use of the Products in combination with products not provided by VENDOR, unless (i) VENDOR has offered or promoted the Products to BUYER for use in such combination, and (ii) there is no non-infringing such combination or equivalent combination; or (D) the use of the Products in a process, unless (i) VENDOR has offered or promoted the Products to BUYER for use in such process, and (ii) there is no non-infringing use of the Products in such process or in an equivalent process.

17.7.3 Sole Remedy: EXCEPT FOR VENDOR'S OBLIGATIONS OF COOPERATION FOUND IN CLAUSES 17.8(i) THROUGH 17.8(iv) BELOW, THE OBLIGATIONS IN SECTIONS 17.7 THROUGH 17.7.2 ABOVE ARE VENDOR'S SOLE AND EXCLUSIVE OBLIGATIONS, AND BUYER'S SOLE AND EXCLUSIVE REMEDIES, WITH RESPECT TO INFRINGEMENT OR MISAPPROPRIATION OF INTELLECTUAL PROPERTY RIGHTS. FOR THE AVOIDANCE OF DOUBT, THERE IS NO WARRANTY, EXPRESSED OR IMPLIED, OF THE Products' NON-INFRINGEMENT, AND, IN THE EVENT OF ANY CLAIMED INFRINGEMENT, VENDOR HAS ONLY THE DUTY TO INDEMNIFY BUYER AS EXPRESSED AND LIMITED IN THIS VENDOR's Indemnity.

17.7.4 Cumulative Cap on Liability: IN NO CASE SHALL VENDOR'S CUMULATIVE LIABILITY UNDER THIS VENDOR's Indemnity EXCEED AN AMOUNT EQUAL TO THE NET REVENUE VENDOR RECEIVED FROM BUYER FOR THE PRODUCTS COVERED BY VENDOR'S DUTY TO INDEMNIFY BUYER UNDER THIS VENDOR's Indemnity.

17.8 Subject to Section 17.3 of this Agreement, BUYER will defend, indemnify and hold VENDOR harmless from any actual loss, damages, liabilities and costs (including but not limited to reasonable attorney's fees and litigation costs) based upon a third party claim: (A) that any product sold by BUYER and processed with Products is defective in design or manufacture; (B) subject additionally to Sections 17.8.1 and 17.8.2 below, and except for infringements for which VENDOR must indemnify BUYER under Sections 17.7 through 17.7.4 above, that BUYER's use of the Products sold hereunder constitutes a misappropriation of any trade secret, or an infringement of any copyright, issued U.S. patent, issued German patent, issued Taiwanese patent, or issued European patent enforceable in Germany; or (C) that BUYER has breached its obligations under Section 17.5 above. BUYER's obligations under these Sections 17.8 through 17.8.2 ("BUYER's Indemnity") shall arise only if (i) VENDOR promptly notifies BUYER when any such claim is made, (ii) VENDOR is not in default of this Agreement, (iii) VENDOR gives BUYER sole control of the defense and settlement of any such claim, and (iv) VENDOR furnishes such information and assistance as BUYER may reasonably request in connection with the defense, settlement or compromise of such claim.

17.8.1 Sole Remedy: EXCEPT FOR BUYER'S OBLIGATIONS OF COOPERATION FOUND IN CLAUSES 17.7(A)-(D) ABOVE, THE OBLIGATIONS IN THIS BUYER's Indemnity ARE BUYER'S SOLE AND EXCLUSIVE OBLIGATIONS, AND VENDORS'S SOLE AND EXCLUSIVE REMEDIES, WITH RESPECT TO INFRINGEMENT OR MISAPPROPRIATION OF INTELLECTUAL PROPERTY RIGHTS. FOR THE AVOIDANCE OF DOUBT, THERE IS NO WARRANTY, EXPRESSED OR IMPLIED, THAT BUYER'S USE OF THE Products WILL NOT INFRINGE A THIRD PARTY'S INTELLECTUAL PROPERTY, AND, IN THE EVENT OF ANY CLAIMED INFRINGEMENT, BUYER HAS ONLY THE DUTY TO INDEMNIFY AS EXPRESSED AND LIMITED IN THIS BUYER's Indemnity.

17.8.2 Cumulative Cap on Liability: IN NO CASE SHALL BUYER'S CUMULATIVE LIABILITY UNDER THIS BUYER's Indemnity EXCEED AN AMOUNT EQUAL TO THE NET REVENUE VENDOR RECEIVED FROM BUYER FOR THE PRODUCTS COVERED BY BUYER'S DUTY TO INDEMNIFY VENDOR UNDER THIS BUYER's Indemnity, BUT FOR THE AVOIDANCE OF DOUBT PAYMENTS UNDER THIS BUYER'S INDEMNITY SHALL BE IN ADDITION TO ANY PAYMENTS FOR PRODUCTS.

17.9 All amounts payable under this Agreement are exclusive of all sales, use, value-added, withholding, and other taxes and duties. BUYER will pay all taxes and duties assessed in connection with this Agreement and its performance by any authority within or outside of the U.S., except for taxes payable on VENDOR's net income. BUYER will promptly reimburse VENDOR for any and all taxes or duties that VENDOR may be required to pay in connection with this Agreement or its performance.

(The remainder of this page is intentionally blank.)

17.10 This Agreement may be executed in multiple counterparts, each of which will be an original as regards any Party whose signature appears thereon and all of which together will constitute one and the same instrument. This Agreement will become binding when one or more counterparts hereof, individually or taken together, bear the signatures of all Parties reflected hereon as signatories. VENDOR will send back the signed BUYER versions to the responsible BUYERS' Purchasing Departments within two weeks of signing the Agreement. BUYERS will send back the signed VENDOR version to VENDOR (attention: Peter Mathews) within two weeks of their receipt of the signed BUYER versions from VENDOR.

Date: 5/5/99

FormFactor, Inc.

By: /s/ [Illegible]

Date: April 27, 1999

INFiNION TECHNOLOGIES AG

By: /s/ Reischl /s/ Sabine Nitzsche
Reischl Nitzsche

Date:

Whiteoak Semiconductor Partnership

(Signature Page to Basic Purchase Agreement Between INFiNION, WhiteOak, ProMOS and FormFactor)

By: /s/ [Illegible]
Seifert

Date: July 09, 1999

ProMOS Technologies, Inc.

By: /s/ Mason Chung

APPENDIX 1	Volume based pricing for BUYERS
APPENDIX 2	Quarterly updated Forecast
APPENDIX 3	Guaranteed 1st article delivery lead times
APPENDIX 4	On stock spare parts
APPENDIX 5	Adequate qualified personnel has to be provided in time
APPENDIX 6	VENDOR-offered access to new Wafer Probe products
APPENDIX 7	INTENTIONALLY OMITTED
APPENDIX 8	Product Specifications
APPENDIX 9	Product Acceptance Checklist
APPENDIX 10	Non-Disclosure and Restricted Use Agreement
APPENDIX 11	Letter of Intent for * * *
APPENDIX 12	Letter of Intent for * * *

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* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

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Product Pricing

Pricing Terms:

1. The pricing for the * * * shall be $* * *. Pricing for the * * * shall be $* * * if delivered in the 1st 6 months of 1999. Pricing for the * * * or * * * -DUT for 2nd 6 months of 1999 shall be determined by mutual agreement in 2nd calendar quarter of 1999.

2. SIEMENS agrees to purchase at least * * * units * * * of the * * *. SIEMENS will provide a written Letter of Intent for the * * * per Appendix 11. Appendix 11 shall be completed no later than 1 week after the signing of this Agreement.

3. SIEMENS agrees to * * * of * * * of either the * * * or a mix thereof in calendar 1999. SIEMENS will provide a written Letter of Intent to VENDOR within 1 week after the signing of this Agreement. The Letter of Intent shall be attached as Appendix 12.

4. SIEMENS agrees to take delivery of * * * units of the * * * in December 1998. VENDOR agrees to provide extended payment terms.

5. All * * * DUT probecards shipped to SIEMENS in the lst half of calendar 1999 shall be priced at $* * *each. Both parties agree to negotiate new pricing for the * * * DUT cards in the 2nd calendar quarter of 1999.

6. VENDOR shall have the right to publicly announce the existence of this Agreement. SIEMENS shall have the right to approve the wording of this announcement.

7. SIEMENS agrees to provide a good-faith forecast of its demand for the following * * * month periods * * * before the end of each quarter.

8. SIEMENS agrees to release all purchase orders at least * * * days in advance of required shipment date.

9. VENDOR may adjust the Pricing Table to recover * * * of manufacturing if it provides 90 days written notice to SIEMENS and provides documentation of such * * * to SIEMENS.

10. The * * * shall be charged at the standard list price of $* * *. If VENDOR is able to * * * (for example * * *, etc.) lower prices may apply and will be quoted as required. VENDOR will provide to SIEMENS a * * * for any * * * for which SIEMENS * * *. This * * * shall be * * * as a * * *. In order to * * * for the * * *, SIEMENS must * * * and * * *.

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First Article and Re-Order Delivery Lead-times

Subject to the terms of this Agreement, VENDOR agrees to offer SIEMENS the following First Article Standard Lead Times

DESIGN START	1ST ARTICLE	RE-ORDER 1	RE-ORDER 2
Q4-1998	* * *	* * *	* * *
Q1-1999	* * *	* * *	* * *
Q2-1999	* * *	* * *	* * *

Re-Order 1: * * *
Re-Order 2: * * *

EXPEDITED DELIVERY:

1st Article: Should SIEMENS request an expedited delivery, VENDOR will make commercially reasonable efforts to meet expedited lead times * * * the Standard Lead Times above, subject to a * * * premium for expedited NRE and 1st article probecards.

Re-Order: Should SIEMENS request an expedited delivery, VENDOR will make commercially reasonable efforts to meet expedited lead times * * * the Standard Lead Times above, subject to a * * * premium for expedited NRE and 1st article probecards.

NOTES:

1. Lead-time is defined as * * * from *** to *** from VENDOR.

2. Lead-time quoted is subject to * * * of the * * *, as well as * * * of *** and the * * *.

3. Should design changes be received after beginning of the design process, SIEMENS may be subject to additional charges and modified delivery schedules. Such changes would be by mutual agreement and would be taken on a case by case basis.

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

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On Stock Spare Parts

PROBECARD SPARE PART TERMS:

1. VENDOR will stock spare parts on those designs for which SIEMENS takes delivery of * * * equivalent probecards (the "SPARE PARTS"), and will provide a limited number of them as replacements free of charge to SIEMENS, as described below and subject to the terms and conditions of this Agreement.

2. All Spare Parts remain the property of VENDOR unless purchased by SIEMENS or transferred to SIEMENS at VENDOR's direction.

3. Spares Parts will be used only to replace damaged parts not covered by the VENDOR Warranty. For example, if a card is damaged due to SIEMENS handling error, the card is not covered by the FormFactor Warranty (see Appendix 7). SIEMENS could, however, choose to replace this card with a Spare Part per this Appendix.

4. For those designs of which VENDOR is obliged to stock Spare Parts under Paragraph 1 above, VENDOR shall stock at least * * *% (rounded to the next highest whole number) of the number of probecards delivered to SIEMENS, at no additional charge to SIEMENS.

5. In order to receive a Spare Part, SIEMENS must return the damaged part within * * * and complete a Spare Part Request Form. From the time SIEMENS notifies VENDOR of the need for a Spare Part, VENDOR agrees to have the Spare Part shipped to SIEMENS * * * subject to the receipt and approval of the Spare Card Request Form.

6. VENDOR shall have the option to substitute spare probe heads for spare cards.

7. VENDOR shall have the option to include Spare Parts with the last scheduled shipment to SIEMENS (see example below).

8. Spare Parts for SIEMENS shall be stored at HTT Dresden. Spare Parts for ProMOS shall be stored at Spirox-Taiwan. Spare Parts for Whiteoak shall be stored at FormFactor - Livermore.

ON-STOCK SPARE PARTS EXAMPLE:

Dresden orders * * * probecards. Delivery is * * * units in December, * * * units in January and * * * units in February for a total of * * * cards. VENDOR would ship * * * units to Dresden in December and hold * * *% or * * * locally (HTT-Dresden). VENDOR will ship an additional * * * units in January and hold another * * * units locally (for a total of * * *). In February, VENDOR will ship an additional * * * units (* * * new cards, * * * from local spares).

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Support Structure

Subject to the terms of this Agreement, VENDOR shall provide technical support and assistance to SIEMENS through a combination of telephone support, periodic visits from qualified factory personnel, and qualified local personnel, as described below:

Telephone Support:

If required, VENDOR shall schedule a weekly conference call with each SIEMENS site to communicate and discuss important technical issues. Additionally, VENDOR will designate a factory-based technical support person for all SIEMENS sites. This technical support person will be available during normal California business hours (8am/5pm Pacific Standard Time) and will carry a Nationwide Pager for emergency support.

Support from Factory Personnel:

VENDOR will visit each SIEMENS site, as required, to provide reasonable technical support. Such support shall include training, trouble-shooting, and assistance in various projects or experiments. Visits by Factory Personnel may be substituted by local personnel as appropriate.

Support from Local Personnel:

VENDOR shall put in place and maintain, at its own cost, local support personnel for each SIEMENS site. At VENDORS discretion, Local support personnel shall be either employees of VENDOR or affiliates of VENDOR. Local personnel shall be situated within reasonable driving distance from each SIEMENS site.

Each local support person shall be required to complete a VENDOR training certification course. Training and certification shall take place annually. VENDOR local support shall be allowed reasonable access to the test areas within SIEMENS sites to assist in technical issues.

The following Personnel shall be available to SIEMENS sites:

Whiteoak:	VENDOR East Coast Field Applications Engineer
Dresden:	HTT-Dresden
Munich:	HTT-Dresden, HTT-Munich
ProMOS:	Spirox-Taiwan

VENDOR reserves the right to replace local personnel with 30 days notice to SIEMENS.

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New VENDOR Products

Subject to the terms of this Agreement, VENDOR agrees to provide information in its discretion

regarding it's new WaferProbe products, as developed, including:

* * *

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FORMFACTOR PRODUCT SPECIFICATION

1. Part Number Marking

Marking has to be readable from front of prober. The letters have to be min. 3 mm in height. The marking has to be water resistant, alcohol resistant and unsmearable.

Text: As specified in chip specific documentation

2. Board/Layout

2.1	Number of probes:	As specified in chip specific documentation
2.2	Tester type:	* * *
2.3	Material of the board/stiffness	* * * This shall be verified by FFI modeling
2.4	Pad layout	As specified in chip specific documentation
2.5	Board layout	As specified in chip specific documentation layout and transit time documents have to be available for Siemens, * * *
2.6	Thickness of the board:	* * *
2.7	Probe height:	* * *

3. Specification of the probes

3.1	Probe material:	* * *
3.2	Probe tip shape:	* * *
3.3	Probe tip size:	* * * * * *
3.4	Max. probe length:	* * *
3.5	Planarity:	* * *

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3.6	X/Y accuracy:	* * *
3.7	Rotation of the board	* * *
3.8	Probe force	* * *
3.9	Scrub length	* * *
3.10	Scrub width	* * *
3.11	Cleaning	* * *
3.12	Life time	* * *
		See FormFactor Warrantee for details

4. ELECTRICAL PROPERTIES

* * *

4.1	Contact resistance	see 4.3
4.2	Isolation resistance between any needle	* * *
4.3	Resistance between needle tip and pogo pin	* * *

4.4	Test frequency without "significant" influence on the signal

5. THERMAL STABILITY

* * *

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PROBECARD ACCEPTANCE CHECKLIST

Product ID: _____ Date: _____

Manufacturer: _____ Probecard No. _____ DUT: _____

Device: _____

OPTICAL CHECK

Probe tips	[ ] ok
Solder Pads	[ ] ok
Added Facilities	[ ] ok

PRECISION POINT CHECK

	Max	Min	Mean	Units	
					[ ] ok
X position				(mu)m	[ ] ok
Y position				(mu)m	[ ] ok
Planarity				(mu)m	[ ] ok
Alignment				(mu)m	[ ] ok
Leakage				nA	[ ] ok
Scrub Length				(mu)m	[ ] ok
Scrub Diameter				(mu)m	[ ] ok
Scrub Angle				(Degree)	[ ] ok
Contact Resistance				(Omega)	[ ] ok
Probe Force				gm	[ ] ok
Capacitators					[ ] ok

TESTER CHECK

Contact Loop	[ ] ok
Difference first/last contact	[ ] ok
Probemark inspection	[ ] ok
Hardcode	[ ] ok

Reference measurements

Tester _____

Board _____

Probecard _____

Lot _____

Yield comparison _____ %YB

CHECK RESULT

Rework:	YES	NO
Return:	YES	NO
Release:	YES	NO

Name: _____ Signature: _____

NON-DISCLOSURE AND RESTRICTED USE AGREEMENT

(attached)

NON-DISCLOSURE AND RESTRICTED USE AGREEMENT

by and between

FormFactor Inc., Livermore, CA USA
- hereinafter referred to as "Siemens" -

- both hereafter referred to as "Party" or "Parties"

WHEREAS, the Parties to this agreement intend to engage in activities for the purpose of establishing FormFactor as a potential supplier of semiconductor probecards for Siemens and its subsidiaries ("Purpose");

WHEREAS, in the course of such activities it is anticipated that the Parties will disclose to each other certain of their proprietary information for the Purpose as set forth above, which information the Parties regard as confidential;

NOW THEREFORE, the Parties hereto have entered into the following agreement ("Agreement"):

1. For the purpose of this Agreement "Confidential Information" shall mean any information and data, including but not limited to any kind of business, commercial or technical information and data disclosed between the Parties in connection with the Purpose of this Agreement, irrespective of the medium in which such information or data is embedded, which is - when disclosed in tangible form - marked as "Confidential" or similar legended by the disclosing Party before disclosing to the receiving Party or which is - when disclosed orally or visually - identified as such prior to disclosure and summarized in writing by the disclosing Party within thirty (30) days of the subject oral or visual disclosure. In case of disagreement, the receiving Party must make any objections to the contents of the summary in writing within thirty (30) days of receipt. Confidential information shall include any copies or abstracts made thereof as well as any modules, samples, prototypes or parts thereof.

2. All Confidential Information exchanged between the Parties pursuant to this Agreement

   a) shall be used exclusively for the Purpose of this Agreement, and the receiving Party shall be permitted to use Confidential Information disclosed to it pursuant to this Agreement only for such sole Purpose, unless otherwise expressly agreed to in writing by the disclosing Party;

   b) shall not be distributed, disclosed, or disseminated in any way or form by the receiving Party to anyone except its own or its Subsidiaries' employees, who have a reasonable need to know said Confidential Information and who are bound to confidentiality by their employment agreements or otherwise. Subsidiary shall mean any company in which the receiving Party owns more than fifty percent (50%) of such company's voting capital. In addition, Siemens may disclose such Confidential Information to one company in Asia in which Siemens owns more than thirty percent (30%) of such company's voting capital;

   c) shall be treated by the receiving Party with the same degree of care to avoid disclosure to any third party as is used with respect to the receiving Party's own information or like importance which is to be kept confidential;

   d) shall remain the property of the disclosing Party.

3. The obligation as per paragraph 2 shall not apply, however, to any information which:

   a) the receiving Party can demonstrate, is already in the public domain or becomes available to the public through no breach by the receiving Party of this Agreement;

   b) was in the receiving Party's possession prior to receipt from the disclosing Party as proven by its written records;

   c) is independently developed by the receiving Party as proven by its written records;

   d) is approved for release by written agreement of the disclosing Party;

   e) is required to be disclosed by law or the rules of any governmental organization.

4. Either Party shall have the right to refuse to accept any information under this Agreement prior to any disclosure and nothing herein shall obligate either Party to disclose any particular information.

5. It is understood that no license or right of use under any patent or patentable right, copyright, trademark or other proprietary right is granted or conveyed by this Agreement. The disclosure of Confidential Information and materials shall not result in any obligation to grant the receiving Party rights therein.

6. The Parties hereto shall not be obligated to any remuneration for disclosure of any information under this Agreement and agree that no warranties of any kind are given with respect to such information as well as any use thereof and that any liability or indemnification for claims of third parties in connection with the use of such information by the receiving Party shall be excluded.

7. This Agreement shall be effective as of the date of the last signature as written below (the "Effective Date"). It may be terminated with respect to further disclosures upon thirty (30) days prior notice in writing. This Agreement shall automatically terminate two (2) years from its Effective Date. The obligations accruing prior to termination as set forth herein, shall, however, survive the termination of this Agreement for a period of three (3) years.

8. All Confidential Information exchanged between the Parties pursuant to this Agreement shall upon respective request of the disclosing Party either be returned to the disclosing Party or be destroyed by the receiving Party after termination of this Agreement. Such request shall be notified in writing by the disclosing Party to the receiving Party within ninety (90) days after termination of this Agreement. In case of destruction, the receiving Party shall confirm in writing such destruction to the disclosing Party.

9. All disputes arising out of or in connection with the present Agreement, including any question regarding its existence, validity or termination, shall be finally settled by arbitration under the Rules of Arbitration of the International Chamber of Commerce, Paris ("Rules") by three arbitrators in accordance with the said Rules.

   The seat of arbitration shall be Zurich, Switzerland. The procedural law of this place shall apply where the Rules are silent.

   The language to be used in the arbitration proceeding shall be English.

10. This Agreement shall be subject to the substantive law in force in Switzerland without reference to its conflicts of law provisions.

11. The provisions of this Agreement may not be modified, amended, nor waived, except by a written instrument duly executed by the Parties hereto. The requirement of written form can only be waived in writing.

12. This Agreement may not be assigned by either Party without the prior written consent of the other.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives on the dates specified below.

FormFactor Inc.	Siemens Aktiengesellschaft
Date: 8-12-97	Date: 21.11.1997
By: /s/ David Larwood	By: /s/ [illegible]

SIEMENS

FormFactor Inc.	Name	Sabine Nitzsche
Attn: Mr. Peter Matthews	Abtelung	HL DD PUR2
2140 Research Drive	Telefon	(03 51) 8 88 - 1205
Livermore, CA 94550	Telefax	(03 51) 8 86 - 1222
	In-Schreiben	
	Unser Zeichen	
	Datum	12.10.1998

LETTER OF INTENT

Dear Peter,

this letter of intent is to express our interest in the possible purchase of:

* * *

based on the "Product Pricing" Appendix 1 of the Basic Purchase Agreement dated 10-12-[illegible] with delivery date by [illegible] 98 (including affiliated correspondence).

It is your understanding that unless you receive an official purchase order number by a Siemens HL MP FE location by December 16th, 1998 this letter of intent expires without cost of penalty to Siemens (JV's).

Regards

/s/ Wolfgang Schmid — /s/ Sabine Nitzsche

Wolfgang Schmid — Sabine Nitzsche

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* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

SIEMENS

FormFactor Inc.	Name	Sabine Nitzsche
Attn: Mr. Peter Matthews	Abtelung	HL DD PUR2
2140 Research Drive	Telefon	(03 51) 8 88- 1205
Livermore, CA 94550	Telefax	(03 51) 8 86- 1222
	In-Schreiben	
	User Zeichen	
	Datum	13.10.1998

Letter of Intent

Dear Peter,

this letter of intent is to express our interest in the possible purchase of:

*** shall also apply under this LOI

based on the "Product Pricing" Appendix 1 of the Basic Purchase Agreement dated 10-12-199[illegible] with delivery date within the calendar Year 1999/2000 (including affiliated correspondence).

It is your understanding that unless you receive an official purchase order number by a Siemens HL MP FE location by December 2000 this letter of intent expires without cost of penalty to Siemens (JV's).

Regards

/s/ Wolfgang Schmid — /s/ Sabine Nitzsche

Wolfgang Schmid — Sabine Nitzsche

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EXHIBIT 10.23
CONFIDENTIAL TREATMENT REQUESTED

FORM FACTOR, INC.

AUTHORIZED INTERNATIONAL DISTRIBUTOR AGREEMENT

This Authorized International Distributor Agreement ("Agreement"), effective as of June 1, 2000 ("Effective Date"), is made between Form Factor, Inc., a Delaware corporation with its principal place of business at 2140 Research Drive, Livermore, CA 94550, ("Company"), and Spirox Corporation, a Taiwan Corporation with its principal place of business at 6F-1, No. 69, Tze You Road, Hsinchu City, Taiwan, R.O.C. ("Distributor").

RECITALS

A. Company manufactures and distributes certain computer hardware products, including the products listed in Exhibit A ("Company Products"). This Agreement pertains only to "Company Products" as listed in Exhibit A and not to any other products manufactured or distributed by Company.

B. Distributor has 14 years of experience in distributor business in Taiwan, has particular expertise in working with Taiwan-based companies, and desires to be a distributor for Company's Product and Services.

C. Company and Distributor desire that Distributor be authorized to act as Company's sole independent distributor of Company Products under the terms and conditions set forth below.

NOW, THEREFORE, Company and Distributor agree as follows:

1. Appointment as Authorized Company Distributor.

(a) Appointment. Subject to the terms of this Agreement, Company appoints Distributor, and Distributor accepts such appointment, as the sole independent distributor of Company Products as set forth in Exhibit A in and limited to the territory set forth in Exhibit B (the "Territory"). Nothing in this Agreement shall prohibit Company from making sales of Company Products directly into the Territory, or permitting an entity that manufactures semiconductor test equipment with which Company Products are used, from selling Company Products directly into the Territory.

(b) Company's Reserved Rights. Company reserves the rights from time to time, in its sole discretion and without liability to Distributor, to change, or to add to or delete from the list of, Company Products by written notice to the Distributor at least thirty (30) days prior to the effective date of the change, addition, or deletion.

(c) Additional Distributors. With respect to the appointment of additional distributors in the Territory, Company agrees that, provided Distributor is meeting its obligations

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hereunder and is not in breach of this Agreement, Company will not appoint a second distributor in the Territory. Further, in the event that Company reasonably believes Distributor is not meeting its obligations set forth hereunder, prior to the appointment of any second distributor in the Territory, Company will identify the inadequacies of Distributor's efforts and permit Distributor thirty (30) days within which to cure the inadequacies. During the 30-day cure period, and thereafter assuming the deficiency(ies) were cured, Company will not appoint any such second distributor.

2. Obligations of Distributor.

(a) Promotion Efforts. Distributor will use its best efforts to (i) vigorously promote the distribution of Company Products in the Territory in accordance with the terms and policies of Company as announced from time to time; and (ii) satisfy those reasonable criteria and policies with respect to Distributor's obligations under this Agreement communicated in writing to Distributor by Company from time to time, including but not limited to Company's style guide.

(b) Adaptation For Local Market. Distributor will be responsible for translating, at its expense, all Company manuals, advertising and promotional materials used in connection with Company Products into the language(s) of the Territory if so instructed by Company in writing. Distributor will consult with Company as to what changes need to be made to Company written materials pursuant to this Section 2(b), and will obtain Company's prior written consent to each such change to Company related written materials.

(c) Inventory. Distributor will maintain an inventory of Company Products and warehousing facilities in the Territory sufficient to serve adequately the needs of its customers on a timely basis.

(d) Personnel, Training and Support. Distributor will retain personnel and institute and maintain programs sufficient to meet the standards and obligations set forth in Exhibit C.

(e) Distributor Financial Condition. Distributor will maintain and employ in connection with Distributor's business under this Agreement such working capital and net worth as may be required in Company's reasonable opinion to enable Distributor to carry out and perform all of Distributor's obligations and responsibilities under this Agreement. From time to time, on reasonable notice by Company, Distributor will furnish to Company a complete set of audited financial statements, including a balance sheet, income statement and cash flow statement, on an annual basis, and a copy of the summary financial documents that Distributor routinely prepares in its ordinary course of business on a quarterly basis. In the event that Distributor becomes a public company, the foregoing financial condition disclosure requirement shall be replaced by the requirement that Distributor provide to Company copies of all financial documents Distributor publicly files.

(f) Company Packaging. Except as provided in section 2(b), Distributor will distribute Company Products with all packaging, warranties and disclaimers intact as shipped from Company.

(g) No Competing Products. Except for Company Products, Distributor will not represent or distribute during the term of this Agreement any * * *-device or greater in-parallel (* * *) probe card products, or any probing technology that competes with Company Products. Distributor warrants that Exhibit D lists all of the manufacturers and distributors, and their respective products, that Distributor represents or distributes as of the date of full execution of this Agreement.

(h) Distributor Covenants. Distributor will:

(i) conduct business in a manner that reflects favorably at all times on Company Products and the good name, good will and reputation of Company;

(ii) avoid deceptive, misleading or unethical practices that are or might be detrimental to Company, Company Products or the public;

(iii) make no false or misleading representations with regard to Company or Company Products;

(iv) not publish or employ, or cooperate in the publication or employment of, any misleading or deceptive advertising material with regard to Company or Company Products;

(v) make no representations, warranties or guarantees to customers or to the trade with respect to the specifications, features or capabilities of Company Products that are inconsistent with the literature distributed by Company;

(vi) not enter into any contract or engage in any practice detrimental to the interests of Company in Company Products; and

(vii) not sell Company Products to entities outside of the Territory, or to an entity which it knows or reasonably should know will resell or transfer the Company Products outside of the Territory.

(i) Compliance with Law. Distributor will comply with all applicable international, national, state, regional and local laws and regulations in performing its duties hereunder and in any of its dealings with respect to Company Products.

(j) Compliance with U.S. Export Laws. Distributor agrees to comply with all applicable international, national, state, regional and local laws and regulations in performing its duties hereunder and in any of its dealings with respect to the technical information and technology disclosed hereunder or direct products thereof. In addition to such compliance and in particular:

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* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

(i) Distributor agrees that it will not reexport or release the software or technology it receives from Company to any party involved in sensitive or unsafeguarded nuclear activities, or activities related to chemical or biological weapons or missiles unless authorized by the U.S. Export Administration Regulations or a license from the U.S. Department of Commerce ("DOC"); and,

(ii) Without limiting the generality of Sections 2(m) and 2(m)(i) immediately above, Distributor agrees that it will not reexport or release any technical information or technology it receives from Company, including under License Exception TSR, 15 C.F.R. Section 740.6, to a national of the countries named in Section 2(m)(iv) below without a license exception or a license from DOC; and,

(iii) Without limiting the generality of Sections 2(m) and 2(m)(i) above, Distributor agrees that it will not export the direct product of the technical information or technology it receives from Company, including under License Exception TSR, to a country named in Section 2(m)(iv) below without a license exception or a license from DOC if such foreign produced direct product is subject to national security controls as identified on the Commerce Control List, 15 C.F.R. Supp. No. 1 to Part 774.

(iv) Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Cambodia, Cuba, Estonia, Georgia, Iran, Iraq, Kazakhstan, Kyrgyzstan, Laos, Latvia, Libya, Lithuania, Moldova, Mongolia, North Korea, Romania, Russia, Rwanda, Sudan, Syria, Tajikstan, Turkmenistan, Ukraine, Uzbekistan and Vietnam.

(k) Governmental Approval. If any approval with respect to this Agreement, or the notification or registration thereof, will be required at any time during the term of this Agreement, with respect to giving legal effect to this Agreement in the Territory, or with respect to compliance with exchange regulations or other requirements so as to assure the right of remittance abroad of U.S. dollars pursuant to Section 5(e) hereof or otherwise, Distributor will immediately take whatever steps may be necessary in this respect, and any charges incurred in connection therewith will be for the account of Distributor. Distributor will keep Company currently informed of its efforts in this connection. Company will be under no obligation to ship Company Products to Distributor hereunder until Distributor has provided Company with satisfactory evidence that such approval, notification or registration is not required or that it has been obtained.

(l) Market Conditions. Distributor will advise Company promptly concerning any market information that comes to Distributor's attention respecting Company, Company Products, Company's market position or the continued competitiveness of Company Products in the marketplace. Distributor will confer with Company on a monthly basis concerning matters relating to market conditions, sales forecasting and product planning relating to Company Products. Distributor will also advise Company in writing on no less frequently than a monthly basis as to competing products and technologies, and potentially competing products and technologies.

(m) Costs and Expenses. Except as expressly provided herein or agreed to in writing by Company and Distributor, Distributor will pay all costs and expenses incurred in the performance of Distributor's obligations under this Agreement.

3. Inspections, Records and Reporting.

(a) Reports. Within 3 days of the end of each month, Distributor will provide to Company a written report showing, for the time periods Company reasonably requests, (i) Distributor's shipments of Company Products by dollar volume, both in the aggregate and for such categories as Company may designate from time to time, (ii) forecasts of Distributor's anticipated orders by Company Product, (iii) Distributor's current inventory levels of Company Products, in the aggregate and by Company Product and (iv) all purchase orders from Distributor's customers of Company Products.

(b) Notification. Distributor will: (i) notify Company in writing of any claim or proceeding involving Company Products within ten (10) days after Distributor learns of such claim or proceeding; (ii) report to Company all claimed or suspected product defects within 72 hours of Distributor's notice thereof; and (iii) notify Company in writing not more than thirty (30) days after any change in the management of Distributor or any transfer of more than twenty-five percent (25%) of Distributor's voting control or a transfer of substantially all its assets.

4. Order Procedure.

(a) Company Acceptance. All orders for Company Products placed by Distributor to Company shall be in writing and shall be subject to acceptance in writing by Company.

(b) Controlling Terms. The terms and conditions of this Agreement and of the applicable Company Invoice or confirmation will apply to each order accepted or shipped by Company hereunder. The provisions of Distributor's form of purchase order or other business forms will not apply to any order notwithstanding Company's acknowledgment or acceptance of such order.

(c) Cancellation. This Section 4(c) shall govern any and all cancellation of orders accepted by Company. While Distributor is not obligated to provide to Company a binding forecast for Company Products, this Section 4(c) is intended to encourage Distributor to place orders at least * * * (* * *) weeks before any scheduled delivery date for unforecasted orders and at least * * * (* * *) weeks before any scheduled delivery date for forecasted orders.

(i) Company reserves the right to cancel any orders placed by Distributor and accepted by Company as set forth above, or to refuse or delay shipment thereof, if Distributor (x) fails to make

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any payment as provided in this Agreement (through no fault of Company), or (y) otherwise fails to comply with any of the material terms and conditions of this Agreement, including by way of example but not of limitation, Sections 2, 3 and 5. No such cancellation, refusal or delay will be deemed a termination (unless Company so advises Distributor) or breach of this Agreement by Company.

(ii) Company's acceptance of an order from Distributor, consistent with Section 4(a), Distributor's cancellation of such order, in whole or in part, is subject to the non-refundable payment obligation(s) of this Section 4(c)(ii). For orders involving new designs for Products ("First Article Order"), if the cancellation is (i) * * * prior to the scheduled delivery date ("Delivery Date"), then Distributor will have no cancellation payment obligation, except for * * *, (ii) * * * prior to the Delivery Date, then Distributor shall pay * * * percent (* * * %) of the First Article Order, plus * * *, (iii) * * * prior to the Delivery Date, then Distributor shall pay * * * percent (* * * %) of the First Article Order plus * * *, and (iv) * * * prior to the Delivery Date, then Distributor shall pay * * * percent (* * * %) of the First Article Order plus * * *. All * * * submitted by Company to Distributor should be in the amounts that are reasonable and actual, and in no circumstance exceeding the amount specified in the original order. For orders involving repeat orders (i.e., Company Products identical to a Company Product contained in a delivered and non-rejected First Article Order), if the cancellation is (i) * * * prior to the Delivery Date, then Distributor will have no cancellation payment obligation, (ii) * * * prior to the Delivery Date, then Distributor shall pay * * * percent (* * * %) of the value of the order, (iii) * * * prior to the Delivery Date, then Distributor shall pay * * * percent (* * * %) of the value of the order, and (iii) * * * prior to the Delivery Date, then Distributor shall pay * * * percent (* * * %) of the value of the order.

5. Prices and Payment.

(a) Prices to Distributor and Commissions on Third Party Sales Into Territory.

(i) Prices. During the term of this Agreement, Company shall inform Distributor of the current base prices it will charge Distributor for Company Products.

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(ii) Commissions on Third Party Sales Into the Territory. If Company Products are sold within the Territory by any third party based outside the Territory ("Outside Products"), and Distributor does not take title to or deliver the Outside Products, Company will pay Distributor a commission of at least * * * % but not more than * * * % of the sales price of the Outside Products, conditioned on (x) the sale into the Territory occurring within * * * of the original sale by Company to the third party, and (y) Distributor's provision of the post-sale support described in Exhibit C of this Agreement with respect to such Outside Products and on the other terms and conditions of this Agreement. In the event that Company Products are shipped, or designated for shipment, by a specific third party into the Territory after the * * * time period, the * * * time period shall be automatically extended to * * * for all future sales by such third party.

(iii) Commissions to Third Parties. If Company, in its sole discretion, determines that the sale or license of Company Products within the Territory is the result of the combined efforts of Distributor and any third party, Company may increase the base price to cover commissions payable to such third party in such amount as Company determines to be equitable, and Company's decision to do so and the manner in which it does so will be final and binding on all parties involved. The base price increases and commission payable will be split between the ship to site, the bill to site, and the design win site on a percentage to be determined by the Company at the time of the order.

(iv) Payments for Extraterritorial Shipments. If Company Products are sold to Distributor and, then, after re-sale by Distributor to its customer, shipped out of the Territory for use within * * * of Distributor's sale, or designated for such shipment within the * * * time period, Distributor shall be required to pay an amount equal to a * * * % commission of the sale price to such entity as designated by Company in consideration for support and service of the Company Product outside of the Territory. In the event that Company Products are shipped, or designated for shipment, out of the Territory after the * * * time period, the * * * time period shall be automatically extended to * * * for all future sales by Distributor to such customer.

(b) Price Increase. In the event Company increases the base price to Distributor for any class of Company Product, the increase shall apply to any order received by

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Company on or after the effective date of the increase. Company shall endeavor to give Distributor as much notice as possible regarding a price increase, but in all events at least twenty (20) days notice.

(c) Price Decrease. In the event that Company decreases the price to Distributor for any Company Product, the decrease shall apply to any order received by Company on or after the effective date of the decrease.

(d) Taxes. If any withholding or similar tax must be paid under the laws of any country outside of the U.S. based on the payments to Company in this Agreement, then Distributor will pay such taxes and such taxes shall be deducted from the payments to Company. Distributor will provide Company with written documentation, including but not limited to copies of receipts, of any and all such taxes paid in connection with this Agreement. Distributor will pay all sales, use and other taxes imposed by any applicable laws and regulations as a result of the payments under this Agreement, other than taxes based upon Company's net income.

(e) Payment Terms. Company shall issue an invoice to Distributor upon shipment of the Company Products ("Invoice"). All payments shall be Net * * * (* * *) days after the date of the Invoice assuming the shipment is void of any major fault of Company, payable in United States dollars, free of any currency control or other restrictions to Company at the address designated by Company. Distributor shall at all times remain obligated to make payments to Company regardless as to whether Distributor receives payment from a third party to whom Distributor may resell Products. Unless otherwise agreed by Company in writing, Distributor will pay all Invoices by:

(i) Wire transfer to a bank account designated by Company the amount of the aggregate prices of the Company Products ordered (plus any applicable taxes, shipping and other charges); or,

(ii) Letter of credit payment wherein Distributor shall cause to be issued by a bank acceptable to Company, and confirmed by a bank designated by Company, one or more irrevocable letters of credit to be equal to the aggregate prices of the Company Products ordered (plus any applicable taxes, shipping and other charges) and to provide for payment at sight upon presentation of Company's Invoices and receipted shipping documents evidencing delivery of the invoiced Company Products to the carrier or freight forwarder; or,

(iii) A check drawn upon a U.S. bank; provided, however, that if any such check tendered by Distributor under this Section 5(e)(iii) is returned for insufficient funds or dishonored in any way for any reason, even without fault of Distributor, upon written notice to

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Distributor Company may in its sole discretion void this Section 5(e)(iii) and require that payment be made under Sections 5(e)(i) or 5(e)(ii) only; and provided, however, that the event Company in its discretion voids this Section 5(e)(iii) according to its terms, all other terms and conditions of this Agreement shall remain in full force and effect.

(f) Credit Terms. At Company's option, shipments may be made on Company's credit terms in effect at the time an order is accepted. Company reserves the right at all times either generally or with respect to any specific order by Distributor to vary, change or limit the amount or duration of credit to be allowed to Distributor. Distributor agrees to pay for Company Products as invoiced.

(g) No Setoff. Distributor will not setoff or offset Company's Invoices amounts that Distributor claims are due it. Distributor will bring any claims or causes of action it may have in a separate action and waives any right it may have to offset, setoff or withhold payment for Company Products delivered by Company.

6. Shipment, Risk of Loss and Delivery.

(a) Shipment. All Company Products will be shipped by Company F.O.B. Company's Livermore, California facility. All international shipments are FCA Company's Livermore, California facility (ICC Incoterms, 2000). Shipments will be made to Distributor's identified warehouse facilities or freight forwarder, subject to approval in writing by Company in advance of shipment. Unless specified in Distributor's order, Company will select the mode of shipment and the carrier. Distributor will be responsible for and pay all, shipping, freight and insurance charges, which charges Company may require Distributor to pay in advance.

(b) Title and Risk of Loss. Title and all risk of loss of or damage to Company Products will pass to Distributor upon delivery by Company to the carrier, freight forwarder or Distributor, whichever first occurs.

(c) Partial Delivery. Company may make partial shipments on account of Distributor's orders, to be separately invoiced and paid for when due. Delay in delivery of any installment shall not relieve Distributor of its obligation to accept the remaining deliveries.

(d) Delivery Schedule; Delays. Company will use commercially reasonable best efforts to meet Distributor's requested delivery schedules for Company Products as are mutually agreed upon between Distributor and Company, but Company shall not be liable for any failure(s) to meet such dates. Any request by Distributor for Company to delay a scheduled delivery shall be subject to Company's approval, in its reasonable discretion. Company reserves the right to refuse, cancel or delay shipment to Distributor when Distributor's credit is impaired, when Distributor is delinquent in payments or fails to meet other credit or financial requirements established by Company, or when Distributor has failed to perform its obligations under this Agreement. Should orders for Company Products exceed Company's available inventory, Company will allocate its available inventory and make deliveries on a basis Company deems

equitable, in its sole discretion, and without liability to Distributor on account of the method of allocation chosen or its implementation.

7. Intentionally Blank.

8. Trademarks, Trade Names, Logos, Designations and Copyrights.

(a) Use During Agreement. During the term of this Agreement, Distributor is authorized by Company to use the trademarks, trade names, logos and designations Company uses for Company Products in connection with Distributor's promotion and distribution of Company Products. Distributor's use of such trademarks, trade names, logos and designations will be in accordance with Company's policies in effect from time to time, including but not limited to trademark usage policies. All such use by Distributor, and the goodwill arising therefrom, shall inure to the benefit of Company. Distributor agrees not to attach any additional trademarks, trade names, logos or designations to any Company Product. Distributor further agrees not to use any Company trademark, trade name, logo or designation in connection with any non-Company Product.

(b) Copyright, Patent, Trademark and other Proprietary Notices. Distributor will include on each Company Product that it distributes, and on all containers and storage media therefor, all trademark, copyright, patent and other notices of proprietary rights included by Company on such Company Product. Distributor agrees not to alter, erase, deface or overprint any such notice on anything provided by Company. Distributor also will include the appropriate trademark notices when referring to any Company Product in promotional materials.

(c) Distributor Does Not Acquire Proprietary Rights. Distributor has paid no consideration for the use of Company's trademarks, trade names, logos, designations, copyrights, or patents, and nothing contained in this Agreement will give Distributor any right, title or interest in any of them. Distributor acknowledges that Company owns and retains all trademarks, trade names, logos, designations, copyrights, patents, and other proprietary rights in or associated with Company Products, and agrees that it will not at any time during or after this Agreement assert or claim any interest in or do anything that may adversely affect the validity of any trademark, trade name, logo, designation, copyright, or patent belonging to or licensed to Company (including, without limitation any act or assistance to any act, which may infringe or lead to the infringement of any of Company's proprietary rights).

(d) No Continuing Rights. Upon expiration or termination of this Agreement, Distributor will immediately cease all display, and use of all Company trademarks, trade names, logos and designations and will not thereafter use, advertise or display any trademark, trade name, logo or designation which is, or any part of which is, similar to or confusing with any trademark, trade name, logo or designation associated with any Company Product. The sale of Company Products hereunder by Company does not convey any license to Distributor, expressly or by implication, estoppel or otherwise, under any patent, copyright, trade secret, trademark or other intellectual property right. Company expressly reserves all of its rights with respect to such patent, copyright, trade secret, trademark and/or other proprietary rights.

(e) Obligation to Protect. Distributor agrees to use reasonable efforts to protect Company's proprietary rights and to cooperate at Distributor's expense in Company's efforts to protect its proprietary rights. Distributor agrees to promptly notify Company of any known or suspected breach of Company's proprietary rights that comes to Distributor's attention.

9. Assignment.

Company has entered into this Agreement with Distributor because of Distributor's commitments in this Agreement, and further because of Company's confidence in Distributor, which confidence is personal in nature. This Agreement will not be assignable by either party, and Distributor may not delegate its duties hereunder without the prior written consent of Company; provided, however, that Company may assign this Agreement to a subsidiary or entity controlling, controlled by or under common control with Company. The provisions hereof shall be binding upon and inure to the benefit of the parties, their successors and permitted assigns.

10. Duration and Termination of Agreement.

(a) Term.

(i) This Agreement is for a term of two (2) years commencing upon the Effective Date. At the end of such two-year period, this Agreement shall renew automatically for additional one (1) year periods, unless one party notifies the other of its intention to terminate this Agreement at least sixty (60) days prior to the end of the then-current term.

(ii) Notwithstanding the provisions of this Section 10(a), or any other provisions of this Agreement, this Agreement may be terminated prior to the expiration of its stated term consistent with Section 10(b), below.

(b) Company Termination For Cause or Convenience. Company may terminate this Agreement at any time prior to the expiration of its stated term in the event that:

(i) Distributor defaults in any payment due to Company and such default continues unremedied for a period of twenty (20) days following written notice of such default.

(ii) Distributor fails to perform any other obligation, duty or responsibility or is in default with respect to any term or condition undertaken by Distributor under this Agreement and such failure or

default continues unremedied for a period of thirty (30) days following written notice of such failure or default;

(iii) Distributor is merged, consolidated, sells all or substantially all of its assets, or implements or suffers any substantial change in management or control; or

(iv) Any bill or regulation granting Distributor extra-contractual compensation upon termination or expiration of this Agreement is introduced into or passed by the legislature or other governing body of the Territory.

Additionally, Company may terminate this Agreement at any time upon 90 days written notice to Distributor.

(c) Automatic Termination. This Agreement terminates automatically, with no further act or action of either party, if a receiver is appointed for Distributor or its property, Distributor makes an assignment for the benefit of its creditors, any proceedings are commenced by, for or against Distributor under any bankruptcy, insolvency or debtor's relief law, or Distributor is liquidated or dissolved.

(d) Orders After Termination Notice. For all orders submitted by Distributor after notice of termination, or a notice of default, but prior to the actual effective date of the termination, the provisions of this Section 10(d) shall apply.

(i) If the order was submitted by Distributor and accepted in writing by Company, then Company shall be obligated to meet its delivery obligations consistent with Section 6, even if the agreed upon delivery date falls after the date of termination; provided, however, that if the notice of termination, or notice of default, as the case may be, was sent by Company to Distributor pursuant to any of Subsections 10(b)(i), Company may require, in its reasonable and sole discretion, that Distributor pay in advance by a method of Subsection 5(e)(i)-(iii), as selected by Company.

(ii) If the order was submitted by Distributor but not accepted in writing by Company, Company may accept or reject all or part of the order consistent with its rights under Section 4 and Subsection 10(e)(v), even if the ultimately agreed upon delivery date falls after the date of termination; provided, however, that if the notice of termination, or notice of default, as the case may be, was sent by Company to Distributor pursuant to any of Subsections 10(b)(i), Company may require, in its reasonable and sole discretion, that

Distributor pay in advance by a method of Subsection 5(e)(i)-(iii), as selected by Company.

(iii) If the order was submitted by Distributor after the date of termination, then the provisions of Section 10(e) shall control.

(e) Effect of Termination or Expiration. Upon termination or expiration of this Agreement:

(i) In the event that this Agreement is terminated by Company for other than a breach by Distributor under Section 10(b)(i) or (ii), Company will reacquire Company Products then in Distributor's possession at prices equal to the lesser of book value based upon a straight-line * * * depreciation schedule, or fair market value as determined jointly by Company and Distributor. In no event will such reacquiring prices be greater than the prices originally paid by Distributor for purchasing such Products.

(ii) For all orders or portions thereof which were submitted to Company by Distributor prior to the effective date of termination, the provisions of Section 10(d) shall control. Additionally, Company shall have the right to demand from Distributor written assurances that Distributor will meet all of its obligations under Section 2(d) with respect to the Company Product for which the orders were submitted and, if Distributor fails to provide adequate assurances that it will meet its obligations, Company may, sell Company Product directly to Distributor's customers and treat Distributor, after termination or expiration, as an independent representative. In such an event, Distributor shall be relieved of its Section 2(d) obligations, and Company shall pay to Distributor a commission of * * * % of the actual price paid by the customer to Company for such Company Products.

(iii) Distributor shall cease using any Company trademark, trade name, logo or designation.

(iv) Within one month after termination, Distributor will provide, in writing: (w) all relevant information, to the extent Distributor has the same, concerning all customer contacts for Company Products, including but not limited to the name, title, company, address, phone number and e-mail address if such contacts; (x) a report on the status of all pending and prospective orders at customers in the Territory, including the main customer contact, product requirements, delivery requirements and key decision makers, as well as any commitments on price, specifications, or terms; (y) a list of all installed Company Product and their locations, with location contacts, in the Territory; and (z) any open support issues regarding such installed Company Products. Additionally, within

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10 days of its provision of the information described in (iv)(w)-(z), above, Distributor will make any sales and support personnel Company deems necessary for a smooth business transfer available to meet with Company representatives for up to three (3) days at Distributor's site. Distributor shall instruct such personnel to fully cooperate in good faith with the Company's representatives at such meetings, and to fully and truthfully answer all questions relevant to effecting a smooth transfer of business.

(v) At Company's request upon the event of any expiration or termination other than termination due to an uncured breach by Distributor of its Exhibit C obligations, Distributor is obligated to continue to meet its Exhibit C obligations for a period of no less than six (6) months after such termination or expiration. Notwithstanding the foregoing, in the event that termination is the result of an uncured breach by Distributor relating to Distributor's failure to meet its Exhibit C obligations, then Distributor, at its election, shall either: (x) for a period of * * * (* * *) months after termination continue to conduct itself in accordance with the no-compete provision of Section 2(g), above; or (y) pay to Company an amount equal to * * * percent (* * * %) of Distributor's probe card purchases from Company for the * * * (* * *) months immediately preceding termination.

(f) No Damages For Termination or Expiration. NEITHER COMPANY NOR DISTRIBUTOR SHALL BE LIABLE TO THE OTHER FOR DAMAGES OF ANY KIND, INCLUDING INCIDENTAL OR CONSEQUENTIAL DAMAGES, ON ACCOUNT OF THE TERMINATION OR EXPIRATION OF THIS AGREEMENT IN ACCORDANCE WITH THIS SECTION 10. DISTRIBUTOR WAIVES ANY RIGHT IT MAY HAVE TO RECEIVE ANY COMPENSATION OR REPARATIONS ON TERMINATION OR EXPIRATION OF THIS AGREEMENT UNDER THE LAW OF THE TERRITORY OR OTHERWISE, OTHER THAN AS EXPRESSLY PROVIDED IN THIS AGREEMENT. Neither Company nor Distributor will be liable to the other on account of termination or expiration of this Agreement for reimbursement or damages for the loss of goodwill, prospective profits or anticipated income, or on account of any expenditures, investments, leases or commitments made by either Company or Distributor or for any other reason whatsoever based upon or growing out of such termination or expiration. Distributor acknowledges that (i) Distributor has no expectation and has received no assurances that any investment by Distributor in the promotion of Company Products will be recovered or recouped or that Distributor will obtain any anticipated amount of profits by virtue of this Agreement, and (ii) Distributor will not have or acquire by virtue of this Agreement or otherwise any vested, proprietary or other right in the promotion of Company Products or in "goodwill" created by its efforts hereunder. THE PARTIES ACKNOWLEDGE THAT THIS SECTION HAS BEEN INCLUDED AS A MATERIAL INDUCEMENT FOR COMPANY TO

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ENTER INTO THIS AGREEMENT AND THAT COMPANY WOULD NOT HAVE ENTERED INTO THIS AGREEMENT BUT FOR THE LIMITATIONS OF LIABILITY AS SET FORTH HEREIN.

(g) Survival. Company's rights and obligations and Distributor's obligations to pay Company all amounts due hereunder, as well as Distributor's rights and obligations under Sections 2(d) (and 2(g), if so elected by Distributor under Section 10(e)(v)(x)), 3(b), 5(d), 5(e), 5(f), 5(g), 8, 9, 10(e), 10(f), 10(g), 12, 13, 14, 15, 16 and 17 shall survive termination or expiration of this Agreement.

11. Relationship of the Parties.

Distributor's relationship with Company during the term of this Agreement will be that of an independent contractor. Distributor will not have, and will not represent that it has, any power, right or authority to bind Company, or to assume or create any obligation or responsibility, express or implied, on behalf of Company or in Company's name, except as herein expressly provided.

12. Indemnification.

(a) Indemnification of Distributor. Subject to Sections 12(b)-(d), Company will, at its expense, defend Distributor and its customers against and, subject to the limitations set forth herein, pay all costs and damages made in settlement or awarded against Distributor or its customers resulting from or based upon any third party claims that the Company Products sold hereunder, or any part thereof constitutes an infringement of any patent, trademark, copyright or other intellectual property right.

(i) Company's obligations under this Section 12(a) shall arise only if Distributor promptly notifies Company when any such claim is made, cooperates in all regards with Company, as Company may reasonably request, and does not engage in activities, directly or indirectly, which frustrate or hinder Company's efforts.

(ii) Company has sole control of the defense and settlement of any such claim, including by way of example, (x) the decision to procure for Distributor the right to continue use or sale of the Company Products, (y) the replacement of such Company Products with non-infringing products, and/or (z) the modification of such Company Products so that they become non-infringing.

(iii) Distributor shall furnish such information and assistance as Company may reasonably request in connection with the defense, settlement or compromise of such claim; provided, however, that Company shall pay Distributor's reasonable out-of-pocket costs associated therewith. If a final injunction is obtained in an action

based on any such claim against Distributor's distribution of a Company Product or Distributor's customers' use of a Company Product by reason of such infringement, or if in Company's opinion such an injunction is likely to be obtained, Company may, at its sole option, either (x) obtain for Distributor the right to continue distributing the Company Product or the right for Distributor's customers to continue using the Company Product, (y) replace or modify the Company Product so that it becomes non-infringing, or (z) if neither (x) nor (y) can be reasonably effected by Company, Company will reimburse Distributor the prices paid for the Company Product during the twelve (12) months prior to the final injunction or decision (eighteen (18) months for processor products, unless actual use indicates the 12-month period is appropriate), pro-rated over the useful life of such Company Products, provided that such Company Products are returned to Company in an undamaged condition, and, in its discretion, terminate this Agreement.

(b) No Combination Claims or Customer-Based Claims. Notwithstanding subpart (a) of this Section 12, Company shall not be liable to Distributor or its customers for any claim arising from or based upon: (i) the combination, operation or use of any Company Product with equipment, data or programming not supplied by Company; (ii) any alteration or modification of Company Products; and/or (iii) a specification or design characteristic supplied by Distributor or its customers.

(c) Limitation. THE PROVISIONS OF THIS SECTION SET FORTH THE ENTIRE LIABILITY OF COMPANY AND THE SOLE REMEDIES OF DISTRIBUTOR WITH RESPECT TO INFRINGEMENT AND ALLEGATIONS OF INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS OR OTHER PROPRIETARY RIGHTS OF ANY KIND IN CONNECTION WITH THE INSTALLATION, OPERATION, DESIGN, DISTRIBUTION OR USE OF COMPANY PRODUCTS.

(d) Indemnification of Company. Distributor agrees to indemnify Company (including paying all reasonable attorneys' fees and costs of litigation) against and hold Company harmless from, any and all claims by any other party resulting from Distributor's acts (other than the mere marketing of Company Products), omissions or misrepresentations, regardless of the form of action.

13. Limited Warranty; Disclaimer of Warranties.

(a) Limited Warranty. COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS AS TO PERFORMANCE OF COMPANY PRODUCTS OR AS TO SERVICE TO DISTRIBUTOR OR TO ANY OTHER PERSON, EXCEPT AS SET FORTH IN COMPANY'S LIMITED WARRANTY ACCOMPANYING DELIVERY OF COMPANY PRODUCTS ("LIMITED COMPANY PRODUCT WARRANTY"). COMPANY RESERVES THE RIGHT TO CHANGE THE WARRANTY AND SERVICE POLICY SET FORTH

IN THE LIMITED COMPANY PRODUCT WARRANTY, OR OTHERWISE, AT ANY TIME, WITHOUT FURTHER NOTICE AND WITHOUT LIABILITY TO DISTRIBUTOR OR TO ANY OTHER PERSON; PROVIDED, HOWEVER, THAT ANY SUCH CHANGES SHALL BE PROMPTLY COMMUNICATED TO DISTRIBUTOR AND SHALL BE EFFECTIVE ONLY FOR FUTURE ORDERS FOR COMPANY PRODUCT AND NOT FOR ORDERS ALREADY PLACED WITH COMPANY BY DISTRIBUTOR.

(b) Disclaimer of Warranties. TO THE EXTENT PERMITTED BY APPLICABLE LAW, AND SUBJECT ONLY TO THE LIMITED COMPANY PRODUCT WARRANTY, ALL IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT, ARE HEREBY EXCLUDED BY COMPANY.

(c) Distributor Warranty. Distributor will make no warranty, guarantee or representation, whether written or oral, on Company's behalf.

14. Limited Liability.

(a) REGARDLESS WHETHER ANY REMEDY SET FORTH HEREIN OR IN COMPANY'S LIMITED WARRANTY ACCOMPANYING DELIVERY OF COMPANY PRODUCTS FAILS OF ITS ESSENTIAL PURPOSE OR OTHERWISE, COMPANY WILL NOT BE LIABLE FOR ANY LOST PROFITS OR FOR ANY DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR OTHER SPECIAL DAMAGES SUFFERED BY DISTRIBUTOR, ITS CUSTOMERS OR OTHERS ARISING OUT OF OR RELATED TO THIS AGREEMENT OR COMPANY PRODUCTS, FOR ALL CAUSES OF ACTION OF ANY KIND (INCLUDING TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY AND BREACH OF WARRANTY), EVEN IF COMPANY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

(b) EXCEPT FOR LIABILITY FOR PERSONAL INJURY OR PROPERTY DAMAGE ARISING FROM COMPANY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, AND FOR CLAIMS ARISING UNDER SECTION 12, IN NO EVENT WILL COMPANY'S TOTAL CUMULATIVE LIABILITY IN CONNECTION WITH THIS AGREEMENT OR COMPANY PRODUCTS, FROM ALL CAUSES OF ACTION OF ANY KIND, INCLUDING TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY AND BREACH OF WARRANTY ASSERTED BY DISTRIBUTOR AGAINST COMPANY, EXCEED 5% OF COMPANY'S ANNUAL EARNINGS. THIS LIMITATION OF COMPANY'S LIABILITY IS CUMULATIVE, WITH ALL PAYMENTS FOR CLAIMS OR DAMAGES IN CONNECTION WITH THIS AGREEMENT BEING AGGREGATED TO DETERMINE SATISFACTION OF THE LIMIT. THE EXISTENCE OF ONE OR MORE CLAIMS WILL NOT ENLARGE THE LIMIT. FURTHER, THE FOREGOING 5% OF COMPANY'S ANNUAL EARNINGS LIMITATION SHALL NOT APPLY TO THOSE CLAIMS BROUGHT BY DISTRIBUTOR AGAINST COMPANY IN WHICH: (I) THE CLAIM SEEKS INDEMNIFICATION FOR AN ACTION FILED BY A DISTRIBUTOR END-CUSTOMER AGAINST DISTRIBUTOR; AND (II) THE END CUSTOMER'S CLAIM AGAINST DISTRIBUTOR IS

BASED UPON AN ACT OR OMISSION OF COMPANY OR UPON COMPANY PRODUCTS, AND IS NOT BASED UPON AN ACT OR OMISSION OF DISTRIBUTOR; SUCH CLAIMS SHALL BE LIMITED BY THE LESSER OF THE LIABILITY CAP PLACED BY DISTRIBUTOR ON ITS END-CUSTOMERS, THE AMOUNT OF THE TOTAL PURCHASES OF COMPANY PRODUCTS FROM DISTRIBUTOR BY DISTRIBUTOR'S END-CUSTOMER FOR THE PRIOR TWELVE (12) MONTHS OR US$2,000,000.

(c) Distributor agrees that the limitations of liability and disclaimers of warranty set forth in this Agreement, including those referenced herein, will apply regardless of whether Company has tendered delivery of Company Products or Distributor has accepted any Company Product. Distributor agrees to communicate all Company Product Warranties to Distributor's customers. Distributor acknowledges that Company has entered into this Agreement in reliance on the disclaimers of warranty and the limitations of liability set forth in this Agreement, and that the same form an essential basis of the bargain between the parties.

15. Confidentiality.

(a) As used in this Agreement, "Confidential Information" means all information disclosed by one party ("Discloser") to the other party ("Recipient") in tangible form that is marked "Proprietary" or "Confidential." Oral information is Confidential Information only if designated as proprietary or confidential by Discloser at the time of disclosure, and summarized and identified as proprietary or confidential in a document sent to Recipient within thirty (30) days of the disclosure.

(b) Neither party shall disclose the other party's Confidential Information to any third party, nor use the Confidential Information for any purpose other than is expressly contemplated by this Agreement. Recipient shall use the same degree of care to protect Discloser's Confidential Information as it uses to protect its own Confidential Information, but no less than reasonable care, to prevent unauthorized disclosure, use, or publication of Discloser's Confidential Information. Recipient may disclose Discloser's Confidential Information only to Recipient's employees, contractors, or other agents who have been previously bound in writing to a non-disclosure agreement that protects the Confidential Information. Each party agrees to notify the other immediately in the event of an unauthorized disclosure or use of any Confidential Information.

(c) The parties' duty to protect Confidential Information shall survive any expiration or termination of this Agreement, and shall extend for a period of five (5) years from the date of disclosure of the Confidential Information.

(d) This Agreement imposes no duty upon Recipient with respect to information that: (i) is or becomes generally known to the public without violation of this Agreement; (ii) was in Recipient's lawful possession prior to its disclosure hereunder and was not obtained by Recipient either directly or indirectly from Discloser; (iii) is lawfully disclosed to Recipient by a third party without restriction on its disclosure; or (iv) is independently developed by Recipient without use or reference to any of Discloser's Confidential Information.

(e) Recipient shall return to Discloser all Confidential Information promptly upon expiration or termination of this Agreement, or upon any earlier request to do so made in writing by Discloser.

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*** Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with The Securities and Exchange Commission.

(f) Neither party shall disclose the fact of this Agreement or any of its terms and conditions to any third party without the other party's prior approval in writing. Notwithstanding the foregoing, each party may disclose the existence and content of this Agreement in confidence to its legal counsel, accountants, bankers and financing sources as necessary in connection with obtaining services from such third parties, provided such third parties are bound to confidentiality no less stringent than the provisions of this Agreement. Further, each party may disclose the existence and contents of this Agreement as required by the applicable rules and regulations of the Securities Exchange Commission or equivalent authority in any other relevant jurisdiction; subject, however, to the party taking reasonable steps consistent with such rules and regulations to minimize the scope and extent of the disclosure.

(g) Distributor agrees to require all of its customers or potential customers of Company Products to execute with Company the Non-Disclosure Agreement attached hereto as Exhibit E before discussing, describing or disclosing any non-published information concerning Company Products with or to such customers or potential customers.

16. Arbitration.

(a) Each party will make reasonable best efforts to resolve amicably any disputes or claims under this Agreement among the parties. Except for claims regarding either party's Intellectual Property Rights and Confidential Information, to which this Section 16 will not apply, and subject to Section 17(g), in the event that a resolution is not reached among the parties within thirty (30) days after written notice by any party of the dispute or claim, the dispute or claim shall be finally settled by binding arbitration in Pleasanton, California. Such arbitration shall be conducted in accordance with the rules of the American Arbitration Association ("AAA"), except where the provisions of this Section 16 provide contrary or additional rules. Each of the parties shall appoint one arbitrator and the two so nominated shall, in turn, choose a third arbitrator. If the arbitrators chosen by the parties cannot agree on the choice of the third arbitrator within a period of thirty (30) days after their nomination, then the third arbitrator shall be appointed consistent with the Rules of the AAA. The arbitration shall be administered out of the local San Francisco, California office of the AAA. The award of arbitration shall be final and binding upon both parties, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any monetary award shall be payable in United States dollars.

(b) The arbitration shall be conducted in the English language. Relevant documents in other languages shall be translated into English if the arbitrators so direct. The law of the State of California, U.S.A., excluding the Convention on Contracts for the International Sale of Goods and that body of law known as conflicts of laws, shall be the applicable substantive law. The applicable procedural law shall be the law of the place of arbitration. The parties agree that they will, before the hearing of any dispute, make discovery and disclosure of all materials relevant to the subject matter of such dispute.

(c) A written transcript in English of the hearing will be made and furnished to the parties. Examination of witnesses by the parties and by the arbitrators will be permitted.

(d) The arbitrators will decide in accordance with the terms of this Agreement and will take into account any appropriate international trade usages applicable to the transaction. The arbitrators will state in writing the reasons upon which the award is based.

(e) The award of the arbitrators will be final and binding upon the parties. Judgment upon the award may be entered in any court having jurisdiction. An application may be made to any such court for judicial acceptance of the award and an order of enforcement.

17. General.

(a) Waiver. The waiver by either party of any default by the other shall not waive subsequent defaults of the same or different kind, and all waivers must be in writing.

(b) Notices. All notices and demands hereunder will be in writing and will be served by personal service, mail or confirmed facsimile transmission at the address of the receiving party set forth in this Agreement (or at such different address as may be designated by such party by written notice to the other party). All notices or demands by mail shall be by certified or registered airmail, return receipt requested, and shall be deemed complete upon receipt.

(c) Attorneys' Fees. In the event any litigation is brought by either party in connection with this Agreement, the prevailing or substantially prevailing party in such litigation shall be entitled to recover from the other party all the costs, attorneys' fees and other expenses incurred by such substantially prevailing party in the litigation.

(d) Execution of Agreement, Controlling Law, Jurisdiction and Severability. It shall be governed by and construed in accordance with the laws of the State of California, excluding the Convention on Contracts for the International Sale of Goods and that body of law known as conflicts of laws. Any suit hereunder will be brought in the federal or state courts in the Northern District of California and Distributor hereby submits to the personal jurisdiction thereof. The English-language version of this Agreement controls when interpreting this Agreement. Distributor consents to the enforcement of any judgment rendered in the United States in any action between Distributor and Company. Any and all defenses concerning the validity and enforceability of the judgment shall be deemed waived unless first raised in a court of competent jurisdiction in the United States.

(e) Severability. In the event that any of the provisions of this Agreement shall be held by a court or other tribunal of competent jurisdiction to be unenforceable, such provision will be enforced to the maximum extent permissible and the remaining portions of this Agreement shall remain in full force and effect.

(f) Force Majeure. Company shall not be responsible for any failure to perform due to unforeseen circumstances or to causes beyond Company's reasonable control, including but not limited to acts of God, war, riot, embargoes, acts of civil or military authorities, fire, floods, accidents, strikes, failure to obtain export licenses or shortages of transportation,

facilities, fuel, energy, labor or materials. In the event of any such delay, Company may defer the delivery date of orders for Company Products for a period equal to the time of such delay.

(g) Equitable Relief. Distributor acknowledges that any breach of its obligations under this Agreement with respect to the proprietary rights or Confidential Information of Company will cause Company irreparable injury for which there are inadequate remedies at law, and therefore Company will be entitled to equitable relief in addition to all other remedies provided by this Agreement or available at law.

(h) Entire Agreement. This Agreement, including Exhibits A through E appended hereto, constitute the complete and exclusive agreement between the parties pertaining to the subject matter hereof, and supersedes in their entirety any and all written or oral agreements previously existing between the parties with respect to such subject matter. Distributor acknowledges that it is not entering into this Agreement on the basis of any representations not expressly contained herein. Any modifications of this Agreement, or special terms and conditions for a particular and unique purchase order that are necessary and appropriate in view of the totality of the circumstances, must be in writing and signed by both parties hereto. Any such modification or special terms and conditions shall be binding upon Company only if and when documented in a separate writing signed by one of Company's duly authorized officers.

(i) Release of Claims. Any and all claims against Company arising under prior agreements, whether oral or in writing, between Company and Distributor are waived and released by Distributor by acceptance of this Agreement.

(j) Choice of Language. The original of this Agreement has been written in English. Distributor waives any right it may have under the law of Distributor's Territory to have this Agreement written in the language of Distributor's Territory.

(k) Due Execution. The party executing this Agreement represents and warrants that he or she has been duly authorized under Distributor's charter documents and applicable law to execute this Agreement on behalf of Distributor.

[Signatures on next page]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized officers to execute this Agreement.

COMPANY

SIGNATURE: /s/ Peter B. Mathews

PRINTED NAME: Peter B. Mathews

TITLE: VP - Sales

DISTRIBUTOR

SIGNATURE: /s/ David Sheu

PRINTED NAME: David Sheu

TITLE: President

(Signature Page to FormFactor Authorized International Distributor Agreement)

EXHIBIT A

COMPANY PRODUCTS

All MicroSpring(TM) contact probe cards

COMPANY	DISTRIBUTOR
SIGNATURE: /s/ Peter B. Mathews	SIGNATURE: /s/ David Sheu

EXHIBIT B

TERRITORY

TAIWAN, SINGAPORE

&

PEOPLES REPUBLIC OF CHINA (INCLUDING HONG KONG)

COMPANY	DISTRIBUTOR
SIGNATURE: /s/ Peter B. Mathews	SIGNATURE: /s/ David Sheu

EXHIBIT C

PERSONNEL AND SUPPORT REQUIREMENTS

(1) Distributor Personnel and Staffing. Company and Distributor agree that to ensure purchasers and potential purchasers of Company Products realize the full and complete value of Company Products, Distributor shall dedicate a certain minimum level of full-time resources to Company Products during the term of this Agreement. It is understood that these Distributor individuals will work closely with Company, including with a Company Field Marketing Manager or other employee(s) who reside(s) in the Territory. Based upon the currently projected level of business, Distributor shall train and maintain at least:

(a) * * * (* * *) full-time * * * stationed within the Territory who shall be responsible for the support of (i) the installed base of Company Products, (ii) preventive maintenance, (iii) product support (trouble shooting), (iv) reporting, and (v) installations;

(b) * * * (* * *) full-time * * * stationed within the Territory who shall be responsible for (i) addressing complex customer satisfaction issues, e.g., *** that will require tester and test programming experience, (ii) introducing new technologies such as * * *, that will require engineering skills to set up experiments, advanced troubleshooting, electrical engineering, test integration, and (iii) project management to develop and document plans with customers.

(c) * * * (* * *) full-time dedicated * * * stationed within the Territory who shall be responsible for (i) establishing and advancing culture, structure, alignment with Company strategy and plans, and (ii) providing project management support and escalation for Distributor engineering resources.

(d) * * * (* * *) full-time * * * stationed at Company's facility in Livermore, CA, who shall be the "voice" of the Territory customer and be responsible for (i) establishing enhancement projects, (ii) leading product margin improvements, (iii) gathering information to support and close Taiwan support issues on an efficient and expedited basis, (iv) developing Taiwan specific products and features together with Company engineering resources, and (v) establishing technical/support/application strategy with Company sales and marketing team.

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* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

It is agreed by Company and Distributor that the * * * of Section 1(d) need not be assigned as of the Effective Date. The need for * * * shall be revisited on a quarterly basis and the parties shall determine, through good faith discussions, when the appointment of such * * * is appropriate.

(2) Technical Expertise. As a general matter, Distributor and its staff will be conversant with the technical language conventional to Company Products and similar products in general, and will develop sufficient knowledge of the industry, of Company Products, and of products competitive with Company Products (including specifications, features and benefits) so as to be able to explain in detail to its customers the differences between Company Products and competitive products. Without limiting the foregoing, Distributor's (i) product support engineers shall have sufficient expertise regarding (x) Process Knowledge, i.e., customer interaction, installation, trouble shooting, care and handling, auditing, maintenance/user training delivery, (y) Product Knowledge, i.e., fabrication processes, probe card assembly and test, probe card knowledge, probing, mechanical/test cell, and (z) Failure Analysis; and (ii) application support engineers shall have sufficient expertise regarding (x) applications, ***, (y) Product Knowledge, i.e., fabrication processes, probe card assembly and test, probe card knowledge, and (z) Process Knowledge (i.e., problem solving skills, troubleshooting, experiment design.

(3) Training. Distributor will send the individuals described in Sections 2(a) and (b) of this Agreement to Company's facility in Livermore, CA for training on Company Products and services. The training will be provided free of charge at the Company offices in Livermore. The length of the training time will be reasonable and appropriate in Company's judgment, all such training will be in English, and Distributor will bear all travel and living expenses for such personnel sent to Company for training.

(4) Service and Support. Distributor will provide prompt pre- and post-sales service and support for all Company Products located in the Territory. Distributor will provide necessary and useful installation assistance and consultation on the use of Company Products, timely respond to customers' general questions concerning use of Company Products, and assist customers in the diagnosis and correction of problems encountered in using Company Products. Additionally, Distributor will provide the following design assistance during design of new versions of Company Products:

(a) Daily technical interface to customers and Company for electrical and physical design of the probe head and PCB;

(b) Regular reporting of technical issues raised by the customer during the design process;

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* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

(c) Be responsible for completing all tasks requested by the Company to obtain customer approval of the design; and

(d) Provide a daily interface to customer purchasing so that timely orders may be obtained.

(5) Culture and Management Style. Distributor shall:

(a) Endeavor to provide local problem solving by taking ownership for customer problem and, whenever reasonably possible, resolve problems locally;

(b) Engage in pro-active activities and actively support and promote Company Products and solutions;

(c) Take the initiative to suggest improvements to Company's structure and processes and shall engage in global knowledge sharing within the Company technical resource community; and

(d) Dedicate resources to enable initiative and ownership beyond the next, Taiwan specific support task.

(6) Quantifiable Metrics. In providing the support and assistance described in this Exhibit C, the following sets forth the agreed upon goals for the second half of 2001:

(a) * * *;

(b) * * * reduction by * * * % in Q4 of 2001 from the levels in Q3 of 2001;

(c) * * * to be determined by the end of the second week of Q4 of 2001;

(d) * * *;

(e) Contribution of * * * per quarter to Company (shared with Company's global customer base);

(f) * * *, as quantified by measures to be determined by the end of Q4 of 2001;

(g) Local execution of customer support processes:

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* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

(h) * * * according to fully documented process/expectations;

(i) Consistent doc/reporting of service incidents (DOAs, SARs);

(j) * * * following documented process (1st pass completed in Q4 of 2001) * * *;

(k) * * * (documented process); and

(l) Identification of a metric * * * by Q4 of 2001.

(7) Updating Metrics. Company and Distributor shall meet on no less than a quarterly basis to address the metrics and set new metrics for the then-remaining term of the Agreement.

COMPANY	DISTRIBUTOR
SIGNATURE: /s/ Peter B. Mathews	SIGNATURE: /s/ David Sheu

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* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

EXHIBIT D

MANUFACTURERS AND DISTRIBUTORS

[insert Distributor's line card)

COMPANY

SIGNATURE: /s/ Peter B. Mathews

DISTRIBUTOR

SIGNATURE: /s/ David Sheu
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* * * 2 1/2 pages * * *

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* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

EXHIBIT E

COMPANY NON-DISCLOSURE AGREEMENT

SEE ATTACHED NDA AND CITR

COMPANY	DISTRIBUTOR
SIGNATURE: /s/ Peter B. Mathews	SIGNATURE: /s/ David Sheu
----------	----------

AGREEMENT DATE: 6/1/2000 CNDA #
(Filled In by FFI Legal)

FORMFACTOR, INC.

CORPORATE NON-DISCLOSURE AGREEMENT

This Corporate Non-Disclosure Agreement (this "Agreement") is entered into and made effective as of the date set forth above, by and between: FORMFACTOR, INC., a Delaware corporation having a principal place of business at: 5666 La Ribera Street, Livermore, CA 94550 ("FormFactor ");
and Spirox , a Taiwan corporation, having a principal
(State of Incorporation)
place of business
at 6F-1, No. 69, Tze You Road Hsin Chu City, Tzian ROC , ("Company")
(Street Address, City, State, Zip Code, Country)

FormFactor and Company (also referred to individually as a "Party" and collectively as the "Parties") agree as follows:

1. CONFIDENTIAL INFORMATION.

1.1 "Confidential Information" means any confidential or proprietary information, technical data, or know-how relating to the disclosing Party's business, including, but not limited to, that which relates to research, products, services, customers, markets, software, developments, formulas, ideas, inventions (patentable or otherwise), processes, designs, drawings, engineering, marketing, finances, customers and/or to technical, business, financial or product development plans, forecasts or strategies.

1.2 All Confidential Information disclosed by FormFactor and/or Company, as the case may be, shall be accompanied by a completed Confidential Information Transmittal Record ("CITR") form, a copy of which is appended hereto. The Parties shall execute a CITR contemporaneous with each disclosure of Confidential Information. The CITR shall indicate the disclosing Party(ies), a description of the Confidential Information disclosed, the names of the representatives of the Parties and the date when the disclosure covered by the CITR commenced. All CITRs and Confidential Information (or copies thereof) shall be directed to the attention of the "Contact Individual" identified in the signature block below. All information described in a CITR and marked with the legend "Confidential," "Proprietary" or a similar legend, will be deemed Confidential Information. The failure to complete a CITR contemporaneous with the disclosure of Confidential Information shall not be deemed to constitute an admission that information is, in fact, not Confidential Information.

1.3 All Confidential Information received from the disclosing Party will be in tangible form or reduced to a tangible form thereafter. A summary of verbal disclosures of Confidential Information shall be reduced to writing, marked "Confidential" and delivered to the receiving Party within thirty (30) days of the verbal disclosure (if not addressed in a CITR).

1.4 Confidential Information does not include information, technical data or know-how or know-how which, through extant, contemporaneously prepared written records:

(a) Is rightfully in the possession of the receiving Party at the time of disclosure as shown by the receiving Party's files and records immediately prior to the time of disclosure;

(b) Is or becomes part of the public knowledge or literature, not as a result of any inaction or action of the receiving Party:

(c) Is approved for release by the disclosing Party;

(d) Is rightfully received from a third party without any obligation of confidentiality; or

(e) Is independently developed by employees of the receiving Party without reliance or reference to the disclosure by the disclosing Party.

1.5 Each Party acknowledges and agrees that all Confidential Information is provided "AS IS" and without any warranty, whether express or implied, as to its accuracy or completeness, non-infringement or use for a particular purpose. Neither Party has an obligation to disclose any particular or specific Confidential Information, even if it falls generally within the scope of the materials and information described in Paragraph 1 of a CITR, or relates thereto.

2. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION.

2.1 FormFactor and Company each agree not to use the Confidential Information disclosed to it by the other for any purpose other than for its internal evaluation in relation to a potential business relationship with the other Party and, then, solely with respect to those specific activities mutually proposed or contemplated by the Parties ("Purposes"). FormFactor and Company will disclose the other Party's Confidential Information only to those of its own employees, consultants

or independent contractors, who are required to have the information in order to carry out the Purpose. The Parties acknowledge and agree that certain Confidential Information may be of such a highly sensitive and proprietary nature that disclosure and use of the same shall be further narrowed and limited as may be described in Paragraph 3 of a CITR. All employees, consultants and independent contractors to whom Confidential Information of the party is disclosed shall have signed a Non-Disclosure Agreement that binds such employees, consultants or independent contractors to confidentiality obligations at least as restrictive as those set forth herein. Neither Party shall use Confidential Information for the benefit of any other entity or a third party, or disclose, publish, disseminate or copy Confidential Information or any part thereof, to any other person, corporation or other organization without, in each case, obtaining the prior written consent of the other Party.

2.2 FormFactor and Company each agree that it will take all reasonable steps to protect the secrecy of and avoid disclosure or use of Confidential Information of the other in order to prevent it from falling into the public domain or the possession of unauthorized persons FormFactor and Company each agree to notify the other in writing of any misuse or misappropriation of such Confidential Information of the other which may come to its attention. If any Party (the "Requested Party") receives notice of a request by any court, regulatory agency or tribunal for production of any Confidential Information of the other Party, the Requested Party shall promptly notify the other Party and shall use reasonable efforts to limit disclosure and to obtain confidential treatment or a protective order and shall allow the disclosing Party to participate in the proceeding If requested, the disclosing Party shall assist (at the Requested Party's expense) in resisting the request for production.

3. RETURN OF MATERIALS. Any materials or documents which have been furnished by one Party to the other will be promptly returned, accompanied by all copies of such documentation promptly upon request. Upon demand, any materials prepared by a Party containing the Confidential Information of the other Party shall be destroyed, and a certificate executed by an officer of the Party confirming such destruction shall be promptly delivered.

4. INTELLECTUAL PROPERTY RIGHTS. Nothing in this Agreement is intended to grant or does grant, either expressly or by implication, to either Party any rights in or to the other Party's Confidential Information, except the limited right to review such Confidential Information solely for the Purpose. FormFactor and Company, and each of them, understand and acknowledge that no license under any patent, copyright, trade secret or other intellectual property right is granted to or conferred upon either Party under this CNDA, and/or based upon any disclosure under a CITR, either expressly, by implication, inducement, estoppel or otherwise, and that any license under such intellectual property rights must be express and in writing. I no event shall this Agreement, or any disclosure of Confidential Information made hereunder, obligate or require either Party to enter into any other business relationship. The terms and conditions of any such relationship shall be subject to separate negotiation and agreement of the Parties.

5. TERM. All obligations of confidentiality and restrictions on use of Confidential Information created under and by this Agreement shall remain in force and effect for five (5) years from the date any Confidential Information is or was disclosed by FormFactor to Company or by Company to FormFactor, as the case may be. All other terms and conditions of this Agreement shall survive the termination of this Agreement.

6. REMEDIES: Each Party agrees that its obligations hereunder are necessary and reasonable in order to protect the other Party and the other Party's business, and expressly agrees that monetary damages would be inadequate to compensate the other Party for any breach of any covenants or agreement set forth herein. Accordingly, each Party agrees and acknowledges that any such violation or threatened violation will cause irreparable injury to the other Party and that, in addition to any other remedies that may be available, in law, in equity or otherwise, the other Party shall be entitled to obtain injunctive relief against the threatened breach of this Agreement or the continuation of any such breach, without the necessity of proving actual damages.

7. MISCELLANEOUS.

7.1 This Agreement may not be assigned by either Party without the express written consent of the other Party, which may be given or withheld at the sole discretion of the other Party. This Agreement shall be binding upon and for the benefits of the undersigned Parties, and any permitted successors or assigns.

7.2 Each Party agrees that it will not in any form export, re-export, resell, ship or divert or cause to be exported, re-exported, resold, shipped or diverted, directly or indirectly, any Confidential Information to any country for which the United States Government or any agency thereof at the time of export or re-export requires an export license or other government approval without first obtaining such license or approval.

7.3 Failure to enforce any provision of this Agreement shall not constitute a waiver of any term hereof.

7.4 This Agreement shall be governed by and construed under the laws of the State of California, without regard to its conflict of laws principals. The federal and state courts within Santa Clara County, California shall have exclusive jurisdiction to adjudicate any dispute arising out of this Agreement.

7.5 This Agreement and any CITRs executed from time to time hereafter constitute the entire agreement, written or verbal, between the Parties with respect to the disclosure(s) of information described in each CITR.

7.6 This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument. Any counterpart signed by an authorized representative of a Party and delivered to the other Party by facsimile transmission shall be deemed an original counterpart and duly delivered.

"FORMFACTOR":	"COMPANY":
FormFactor, Inc. a Delaware corporation	----------
Represented by:	Represented by:
Signature: /s/ Stuart L. Merkadeau ----------	Signature: /s/ David Sheu ----------
Print Name: Stuart L. Merkadeau ----------	Print Name: David Sheu ----------
Title: VP Intellectual Property ----------	Title: President ----------

(VP level or higher)	(Authorized Representative)
Date: _____	Date: _____
Contact Individual: _____	Contact Individual: _____
_____	_____
Contact Address: _____	Contact Address: _____
_____	_____
_____	_____
Contact Phone: _____	Contact Phone: _____

FORMFACTOR, INC.

CONFIDENTIAL INFORMATION TRANSMITTAL RECORD ("CITR")

CITR DATE: _____ CNDA NO.: _____
(Date Disclosure is made/commenced) (Fill in Number from Executed CNDA)

This Confidential Information Transmittal Record ("CITR") identifies the specific Confidential Information that is being disclosed by FormFactor and/or Company, as the case may be, under the terms and conditions of that certain Corporate Non-Disclosure Agreement ("CNDA") bearing the CNDA No. set forth above and entered into by and between FormFactor and Company. A completed CITR should accompany each separate disclosure of Confidential Information by and between FormFactor and Company.

1. Describe the Confidential Information disclosed by each Party. (Be specific; include subject or product, any document title, drawing/document number, date, revision, etc.) Identify visuals, foils, and verbal disclosures (use additional sheets if necessary).

   FORMFACTOR Confidential Information: _____

   _____

   _____

   _____

   FormFactor Representatives Present During Disclosure: _____

   _____

   COMPANY Confidential Information: _____

   _____

   _____

   _____

   Company Representatives Present During Disclosure: _____

   _____

2. This CITR covers the Confidential Information described in Paragraph 1 above, to be conveyed commencing on the CITR Date stated above.

3. Disclosure and use of the Confidential Information described in Section 2 of the CNDA shall be further limited as follows:

   [ ] Not Applicable

   [ ]
   _____

4. Consistent with Section 3 of the CNDA, notwithstanding the utilization of this CITR, the disclosing Party may at any time request in writing the immediate return of all or part of its Confidential Information disclosed hereunder, and all copies thereof, and the receiving Party shall promptly comply with such request.

5. All terms and conditions of the executed CNDA shall remain in full force and effect and are incorporated herein as if fully set forth. Nothing contained herein shall be construed as amending or modifying the terms of the CNDA (except and solely as may be provided in Paragraph 3 above) and, in the event of any inconsistency between the CNDA and this CITR, the terms and conditions of the CNDA shall control.

"FORMFACTOR":	"COMPANY":
FORMFACTOR, INC.	_____
2140 Research Drive	(Company Name, Division/Sub, if applicable)
Livermore, CA 94550	Address: _____
US	City, State, Zip: _____
	Country: _____
Contact Individual: _____	Contact Individual: _____
Represented by:	Represented by:
Signature: _____	Signature: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Date:	Date:

EXHIBIT 10.24
CONFIDENTIAL TREATMENT REQUESTED

PROBECARD PURCHASE AGREEMENT

IN THE FOLLOWING REFERRED TO AS "AGREEMENT"

BETWEEN
SAMSUNG ELECTRONICS INDUSTRIES CO., LTD,
A CORPORATION WITH ITS PRINCIPAL PLACE OF BUSINESS AT
SAN #24 NONGSEO-RI, KIHEUNG-EUP, YOUNGIN-CITY,
KYOUNGKI-DO, KOREA
IN THE FOLLOWING REFERRED TO AS "SAMSUNG"
OR "BUYER"

AND

FORMFACTOR INC.,
A DELAWARE CORPORATION
WITH ITS PRINCIPAL PLACE OF BUSINESS LOCATED AT
5666 LA RIBERA STREET,
LIVERMORE, CA 94550
IN THE FOLLOWING REFERRED TO AS "VENDOR,"
(AND COLLECTIVELY THE "PARTIES")

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

1. PURPOSE OF THIS AGREEMENT

This Agreement will serve as the basis for acquisition of Multi-DUT Memory Probe Cards by BUYER. This Agreement will be an integral part of any purchase orders for probe cards, and as such will be attached to all purchase orders issued by BUYER for VENDOR's DRAM probe cards and associated services, hereinafter referred to as "Products."

1.1 The Product(s) will be delivered in accordance with the purchase order(s) issued by BUYER and accepted by FFI (such accepted purchase order(s) hereinafter referred to as "Individual Contract(s)"). Such Individual Contracts shall specify only the quantity, price, and time of delivery. All other terms of Individual Contracts shall be contained in this Agreement.

2. INDIVIDUAL CONTRACT (PURCHASE ORDER)

2.1 The Product(s) will be delivered in accordance with the purchase order(s) issued by BUYER and accepted by FFI (such accepted purchase order(s) hereinafter referred to as "Individual Contract(s)"). Such Individual Contracts shall specify only the quantity, price, and time of delivery. All other terms of Individual Contracts shall be contained in this Agreement.

2.2 BUYER shall furnish purchase orders to VENDOR, and VENDOR shall have the right to accept, reject or modify purchase orders. VENDOR shall confirm in writing such action to the responsible purchasing department at BUYER within * * * after receipt thereof. BUYER has the right to cancel the purchase order or Individual Contract without cost in the case of VENDOR's non-fulfillment of the said * * * time frame, but such cancellation must be communicated no later than * * * after VENDOR's late acceptance of the purchase order. In the event VENDOR modifies a purchase order, the Individual Contract shall not be valid until BUYER communicates acceptance of the modified purchase order.

2.3 The conditions of this Agreement shall apply to all purchase orders of BUYER regarding the Products and to any purchase order acceptance or purchase order modification by BUYER even if such communications do not refer to it expressly.

2.4 If, subsequent to the acceptance of any purchase order, BUYER requires an earlier or later delivery date than as agreed, the Parties shall use commercially reasonable to meet such requests.

2.5 Any Individual Contract may be canceled by written notification from the BUYER. VENDOR shall notify the BUYER in writing of any cancellation charges calculated as follows: 1st article and NRE orders shall be subject to a

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* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

cancellation fee based on * * *. Repeat orders shall be subject to the following cancellation charges:

Days from Delivery When PO is Canceled	Cancellation Charge
* * *	* * *
* * *	* * *
* * *	* * *
* * *	* * *

2.6 * * * before the end of each quarter, BUYER shall provide to VENDOR a * * * rolling forecast for its purchases of Product(s) in the form of APPENDIX 2.

3. DELIVERY

3.1 Delivery shall be FOB Livermore, CA. The freight carrier will be Federal Express if not agreed otherwise.

3.2 The date for delivery of a Product is determined in the Individual Contract. All changes of accepted delivery dates are only valid if these changes are requested by the responsible BUYER purchasing department.

4. PACKAGING

4.1 Unless otherwise stated by BUYER, each Product shall be shipped in an individual case, and the packaging shall protect the Product(s) from vibrations, shocks, temperature, temperature differences, humidity, pressure and radiation, as can be reasonably anticipated during shipment. The inner packaging shall fulfill the clean-room requirements applicable at BUYER as communicated to VENDOR in writing and the outer packaging shall be labeled in such a way that the instructions for transport and the BUYER Internal Equipment Code (as stated in the purchase order) of the shipment are clearly visible.

5. FINAL ACCEPTANCE

5.1 The Parties agree that the Product shall meet the Specifications defined in APPENDIX 8.

5.2 The Product shall be considered accepted by BUYER once the Product and any agreed upon technical documentation has been completely delivered and the Specifications have been demonstrated by completion of the Product Acceptance Checklist (APPENDIX 9). BUYER shall complete the Product Acceptance Checklist within * * * days of receipt of the Product, or the Product shall be deemed accepted.

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5.3 The VENDOR shall perform an outgoing product acceptance check per APPENDIX 8 and shall include these results with each shipment.

6. PRICES, TERMS OF PAYMENT, DELIVERY TIMES

6.1 VENDOR offers, and BUYER agrees to pay, pricing for BUYER as described in APPENDIX 1.

6.2 BUYER will pay any invoice within * * * following the date of BUYER's receipt of such invoice and without any deductions. All payments will be in U.S. Dollars. BUYER must notify VENDOR of any disputed or questioned invoice within * * * days of BUYER'S receipt of such invoice. VENDOR agrees to respond in good faith to BUYER's notice of a disputed or questioned invoice within * * * days of VENDOR's receipt of such notice from BUYER.

6.3 VENDOR offers guaranteed 1st article and re-order delivery lead times as described in APPENDIX 3.

7. WARRANTY

7.1 VENDOR warrants the Product per Appendix 6.

8. CHANGES IN THE PRODUCTS

8.1 Changes in the agreed Specifications or the outer design of the Product(s), which are requested by BUYER, shall be performed by VENDOR within a reasonable time if VENDOR agrees to perform such changes. If such changes to Specifications will affect delivery dates or prices of the Product(s), VENDOR shall inform BUYER in writing thereof, and such Specification changes will be made only after BUYER consents in writing to the changed delivery dates and prices.

8.2 VENDOR-initiated changes in the configuration or the Specification of the Product(s) can be made only after written consent of BUYER.

9. SPARE PARTS

9.1 VENDOR agrees to keep consigned spare parts on stock as described in APPENDIX 4.

10. TECHNICAL ASSISTANCE

10.1 At the request of BUYER. VENDOR shall assist with reasonable technical assistance in use of the Product(s).

10.2 Vendor shall provide adequate qualified personnel to support the use of the Product as described in APPENDIX 5.

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11. RESEARCH AND DEVELOPMENT MANAGEMENT MEETINGS

11.1 Subject to the Parties' obligations under Section 12 ("Confidentiality") of this Agreement, VENDOR agrees to share it's Multi-DUT Memory probe card technology roadmap with BUYER on a regularly scheduled basis. VENDOR hereby designates all such technology roadmap information as Confidential Information under Section 12 of this Agreement. BUYER agrees to provide inputs to the VENDOR for consideration in * * *.

11.2 BUYER and VENDOR agree to participate in regularly scheduled management meetings to discuss BUYER * * * , VENDOR performance, and other important business and technical issues.

11.3 VENDOR shall have the right to publicly announce the existence of this Agreement. BUYER shall have the right to approve the wording of this announcement.

12. CONFIDENTIAL INFORMATION

12.1 CONFIDENTIAL INFORMATION. "Confidential Information" means any information, technical data, or know-how, including, but not limited to, that which relates to research, products, services, customers, markets, software, developments, inventions, processes, designs, drawings, engineering, marketing or finances and marked with a "confidential," "proprietary" or similar legend. All Confidential Information received from the disclosing Party will be in tangible form. To be considered Confidential Information, verbal disclosures must be reduced to or summarized in writing, marked "Confidential" and delivered to the receiving Party within thirty (30) days.

Confidential Information does not include information, technical data or know-how which (i) is in the possession of the receiving Party at the time of disclosure as shown by the receiving Party's files and records immediately prior to the time of disclosure; (ii) is or becomes part of the public knowledge or literature, not as a result of any inaction or action of the receiving Party, (iii) is approved for release by the disclosing Party, (iv) is rightfully received from a third Party without any obligation of confidentiality, or (v) is independently developed by employees of the receiving Party.

12.2 NON-DISCLOSURE OF CONFIDENTIAL INFORMATION. VENDOR and BUYER each agree not to use the Confidential Information disclosed to them by the other Party for their own use or for any purpose except to carry out their obligations under this Agreement. Neither Party will disclose the Confidential Information of the other to third parties, or to the receiving Party's employees, except employees or other third parties in a fiduciary relationship to the receiving Party who are required to have the information in order to carry out this Agreement. Each Party

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has had or will have employees or other third parties to whom Confidential Information of the other is disclosed sign a Non-Disclosure Agreement that binds such employees or other third parties to the terms of this Section 12 of this Agreement. Each Party agrees that it will take all reasonable steps to protect the secrecy of and avoid disclosure or unauthorized use of Confidential Information of the other and to prevent it from falling into the public domain or the possession of unauthorized persons. Each Party agrees to notify the other in writing of any misuse or misappropriation of such Confidential Information of the other which may come to its attention. If any Party (the "Requested Party") receives notice of a request by any court, regulatory agency or tribunal for production of any Confidential Information of the other Party, the Requested Party shall promptly notify the other Party and shall, if requested by the other Party, assist (at the other Party's expense) in resisting the request.

12.3 RETURN OF MATERIALS. Any materials or documents which have been furnished by one Party to the other will be promptly returned, accompanied by all copies of such materials of documents promptly upon request.

12.4 NO LICENSE. Nothing in this Agreement is intended to grant either Party any rights in or to the other Party's Confidential Information, except the limited right to use such Confidential Information solely for the purposes of carrying out its obligations under this Agreement. Nothing in this Agreement is meant to convey any license under any patent, copyright, trade secret, trademark or other intellectual property right owned or controlled by either Party.

13. TERM

13.1 This Agreement becomes effective upon signing by both Parties and shall be in effect for a 1 year period unless both Parties agree in writing to extend the Agreement for additional 1 year terms. It may be terminated by either Party effective at the end of each calendar year, upon six (6) months prior written notice.

13.2 BUYER may terminate this Agreement if VENDOR breaches any material term or condition of this Agreement and fails to cure such breach within thirty (30) days following receipt of written notice from BUYER. VENDOR may terminate this Agreement if BUYER breaches any material term or condition of this Agreement and fails to cure such breach within thirty (30) days following receipt of written notice from VENDOR.

13.3 In the event of termination Sections 7, 12, 14, 15, 16 and 17 shall remain effective.

14. ASSIGNMENT

This Agreement is not assignable by either Party, and neither Party may delegate its duties hereunder without the prior written consent of the other; provided, however, that (1) VENDOR may assign this Agreement to a subsidiary or entity controlling, controlled by or under common control with VENDOR or to any entity that acquires all or substantially all of the assets or securities of VENDOR or the rights to its Products, so long as VENDOR notifies BUYER in writing; and (2) BUYER may assign this Agreement to a subsidiary or entity controlling, controlled by or under common control with BUYER or to any entity that acquires all or substantially all of the assets or securities of BUYER, so long as BUYER notifies VENDOR in writing, BUYER'S assignee agrees in writing to be bound by all terms of this Agreement, and BUYER shall remain responsible for the performance by the assignee of all provisions of this Agreement, including but not limited to the protection of VENDOR's Confidential Information. Any attempted assignment in violation of this provision shall be void and the provisions hereof will be binding upon and inure to the benefit of the Parties, their successors and permitted assigns.

15. DISPUTE RESOLUTION

The Parties hereby agree that any dispute arising out of or relating to this Agreement which the Parties cannot resolve themselves shall be settled in a court of competent jurisdiction located in Santa Clara County, California. Each party hereby waives any objection to such venue and submits itself to the personal jurisdiction of the state and federal courts therein.

16. APPLICABLE LAW

This Agreement shall be construed in accordance with and governed by the laws of the State of California, irrespective of conflicts of laws principles.

17. GENERAL PROVISIONS

17.1 Except for Individual Contracts consistent with its Section 1.2, this Agreement (together with the Appendices hereto) constitutes the complete and exclusive agreement between the Parties pertaining to the subject matter hereof, and supersedes in their entirety any and all written or oral agreements previously existing between the Parties with respect to such subject matter. Additional agreements and contractual changes must be made in writing in order to become effective.

17.2 In the event any provision of this Agreement is held by a court or other tribunal of competent jurisdiction to be unenforceable, such provision will be enforced to the maximum extent permissible and such provision and the remaining portions of this Agreement shall be enforced so as to best meet the intentions of the Parties.

17.3 TO THE MAXIMUM EXTENT PERMITTED BY LAW, EXCEPT FOR VIOLATIONS OF SECTION 12 OF THIS AGREEMENT, INFRINGEMENT OF ANY PARTY'S INTELLECTUAL PROPERTY RIGHTS, AND CASES OF GROSS NEGLIGENCE AND INTENTIONAL ACTS, IN NO EVENT WILL EITHER PARTY

BE LIABLE FOR ANY LOST REVENUES, DATA, OR PROFITS, OR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES WITH RESPECT TO ANY CLAIMS THAT MAY ARISE OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE TERMINATION THEREOF, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

17.4 VENDOR shall not be responsible for any failure to perform due to unforeseen circumstances or to causes beyond VENDOR's reasonable control, including but not limited to acts of God, war, riot, embargoes, acts of civil or military authorities, fire, floods, accidents, strikes, failure to obtain export or import licenses, or shortages of transportation, facilities, fuel, energy, labor or materials. In the event of any such delay, VENDOR may defer the delivery date of orders for Products for a period equal to the time of such delay.

17.5 Both Parties agree to comply with all applicable international, national, state, regional and local laws and regulations in performing their duties hereunder and in any of their dealings with respect to the technical information and technology disclosed hereunder or direct products thereof. In addition to such compliance and in particular:

(i) BUYER agrees that it will not reexport or release the software or technology it receives from VENDOR to any party involved in sensitive or unsafeguarded nuclear activities, or activities related to chemical or biological weapons or missiles unless authorized by the U.S. Export Administration Regulations or a license from the U.S. Department of Commerce ("DOC"); and,

(ii) Without limiting the generality of Sections 17.5 and 17.5(i) immediately above, BUYER agrees that it will not reexport or release any technical information or technology it receives from VENDOR, including under License Exception TSR, 15 C.F.R. Section 740.6, to a national of the countries named in Section 17.5(iv) below without a license exception or a license from DOC; and,

(iii) Without limiting the generality of Sections 17.5 and 17.5(i) above, BUYER agrees that it will not export the direct product of the technical information or technology it receives from VENDOR, including under License Exception TSR, to a country named in Section 17.5(iv) below without a license exception or a license from DOC if such foreign produced direct product is subject to national security controls as identified on the Commerce Control List, 15 C.F.R. Supp. No. 1 to Part 774.

(iv) Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Cambodia, Cuba, China (PRC), Estonia, Georgia, Iran, Iraq, Kazakhstan, Kyrgyzstan, Laos, Latvia, Libya, Lithuania, Moldova, Mongolia, North Korea,

Romania, Russia, Rwanda, Serbia, Sudan, Syria, Tajikstan, Turkmenistan, Ukraine, Uzbekistan and Vietnam.

17.6 The sale of Products hereunder by VENDOR does not convey any license to BUYER under any patent, copyright, trade secret, trademark or other intellectual property right owned or controlled by VENDOR ("VENDOR Proprietary Rights"). BUYER agrees not to reverse engineer, disassemble or modify any Product or any portion thereof without the express written permission of VENDOR. VENDOR expressly reserves all of its rights with respect to any patent, copyright, trade secret, trademark and/or other proprietary rights.

17.7 Notwithstanding Section 7.7, subject to Section 17.3 of this Agreement, and subject to subsections 17.7.1 through 17.7.4 below, VENDOR will defend, indemnify and hold BUYER harmless from any actual loss, damages, liabilities and costs (including but not limited to reasonable attorney's fees and litigation costs), based upon a third party claim that BUYER's use of the Products sold hereunder, or any part thereof, constitutes a misappropriation of any trade secret, or an infringement of any copyright or issued U.S. patent. VENDOR's obligations under these Sections 17.7 through 17.7.4 ("VENDOR's Indemnity") shall arise only if (A) BUYER promptly notifies VENDOR when any such claim is made, (B) BUYER is not in default of this Agreement, (C) BUYER gives VENDOR sole control of the defense and settlement of any such claim, and (D) BUYER furnishes such information and assistance as VENDOR may reasonably request in connection with the defense, settlement or compromise of such claim.

17.7.1 Mitigation: In the event BUYER'S use of a Product is, or in VENDOR'S opinion is likely to be, successfully attacked as a result of the type of infringement or misappropriation specified in Section 17.7 above, then VENDOR may, at its sole option and expense, either: (A) procure for BUYER the right to continue using such Products under the terms of this Agreement; or (B) replace or modify such Products so that they are non-infringing and substantially equivalent in function to the threatened Products; or (C) if options (A) and (B) above cannot be accomplished despite the reasonable efforts of VENDOR, then VENDOR may both (i) terminate BUYER's rights and VENDOR's obligations under this Agreement with respect to such Products, and (2) refund to BUYER the net revenue VENDOR received from BUYER for such Products conditioned upon BUYER's return of the Product to VENDOR.

17.7.2 Exclusions: VENDOR will have no obligations under Sections 17.7 and 17.7.1 above to the extent an infringement or misappropriation arises from: (A) modifications to the Products that were not authorized by VENDOR; (B) Product specifications requested by BUYER; (C) the use of the Products in combination with products not provided by VENDOR, unless (i) VENDOR has offered or promoted the Products to BUYER for use in such combination, and (ii) there is no non-infringing such combination or equivalent combination; or (D) the use of the Products in a

process, unless (i) VENDOR has offered or promoted the Products to BUYER for use in such process, and (ii) there is no non-infringing use of the Products in such process or in an equivalent process.

17.7.3 Sole Remedy: EXCEPT FOR VENDOR'S OBLIGATIONS OF COOPERATION FOUND IN CLAUSES 17.8(i) THROUGH 17.8(iv) BELOW, THE OBLIGATIONS IN SECTIONS 17.7 THROUGH 17.7.2 ABOVE ARE VENDOR'S SOLE AND EXCLUSIVE OBLIGATIONS, AND BUYER'S SOLE AND EXCLUSIVE REMEDIES, WITH RESPECT TO INFRINGEMENT OR MISAPPROPRIATION OF INTELLECTUAL PROPERTY RIGHTS. FOR THE AVOIDANCE OF DOUBT, THERE IS NO WARRANTY, EXPRESSED OR IMPLIED, OF THE PRODUCTS' NONINFRINGEMENT, AND, IN THE EVENT OF ANY CLAIMED INFRINGEMENT, VENDOR HAS ONLY THE DUTY TO INDEMNIFY BUYER AS EXPRESSED AND LIMITED IN THIS VENDOR's INDEMNITY.

17.7.4 Cumulative Cap on Liability: IN NO CASE SHALL VENDOR'S CUMULATIVE LIABILITY UNDER THIS VENDOR's INDEMNITY EXCEED AN AMOUNT EQUAL TO THE NET REVENUE VENDOR RECEIVED FROM BUYER FOR THE PRODUCTS DELIVERED OVER THE PREVIOUS SIX MONTHS COVERED BY VENDOR'S DUTY TO INDEMNIFY BUYER UNDER THIS VENDOR'S INDEMNITY.

17.8 Subject to Section 17.3 of this Agreement, BUYER will defend, indemnify and hold VENDOR harmless from any actual loss, damages, liabilities and costs (including but not limited to reasonable attorney's fees and litigation costs) based upon a third party claim: (A) that any product sold by BUYER and processed with Products is defective in design or manufacture; (B) subject additionally to Sections 17.8.1 and 17.8.2 below, and except for infringements for which VENDOR must indemnify BUYER under Sections 17.7 through 17.7.4 above, that BUYER's use of the Products sold hereunder constitutes a misappropriation of any trade secret, or an infringement of any copyright or issued U.S. patent; or (C) that BUYER has breached its obligations under Section 17.5 above. BUYER's obligations under these Sections 17.8 through 17.8.2 ("BUYER's INDEMNITY") shall arise only if (i) VENDOR promptly notifies BUYER when any such claim is made, (ii) VENDOR is not in default of this Agreement, (iii) VENDOR gives BUYER sole control of the defense and settlement of any such claim, and (iv) VENDOR furnishes such information and assistance as BUYER may reasonably request in connection with the defense, settlement or compromise of such claim.

17.8.1 Sole Remedy: EXCEPT FOR BUYER'S OBLIGATIONS OF COOPERATION FOUND IN CLAUSES 17.7(A)-(D) ABOVE, THE OBLIGATIONS IN THIS BUYER's Indemnity ARE BUYER'S SOLE AND EXCLUSIVE OBLIGATIONS, AND VENDORS' SOLE AND EXCLUSIVE REMEDIES, WITH RESPECT TO INFRINGEMENT OR

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MISAPPROPRIATION OF INTELLECTUAL PROPERTY RIGHTS. FOR THE AVOIDANCE OF DOUBT, THERE IS NO WARRANTY, EXPRESSED OR IMPLIED, THAT BUYER'S USE OF THE Products WILL NOT INFRINGE A THIRD PARTY'S INTELLECTUAL PROPERTY, AND, IN THE EVENT OF ANY CLAIMED INFRINGEMENT, BUYER HAS ONLY THE DUTY TO INDEMNIFY AS EXPRESSED AND LIMITED IN THIS BUYER's Indemnity.

17.8.2 Cumulative Cap on Liability: IN NO CASE SHALL BUYER'S CUMULATIVE LIABILITY UNDER THIS BUYER's Indemnity EXCEED AN AMOUNT EQUAL TO THE NET REVENUE BUYER PAID TO VENDOR OVER THE PREVIOUS SIX MONTH PERIOD FOR THE PRODUCTS COVERED BY BUYER'S DUTY TO Indemnify VENDOR UNDER THIS BUYER's INDEMNITY, BUT FOR THE AVOIDANCE OF DOUBT, PAYMENTS UNDER THIS BUYER'S INDEMNITY SHALL BE IN ADDITION TO ANY PAYMENTS FOR PRODUCTS.

17.9 All amounts payable under this Agreement are exclusive of all sales, use, value-added, withholding, and other taxes and duties. BUYER will pay all taxes and duties assessed in connection with this Agreement and its performance by any authority within or outside of the U.S., except for taxes payable on VENDOR's net income. BUYER will promptly reimburse VENDOR for any and all taxes or duties that VENDOR may be required to pay in connection with this Agreement or its performance.

17.10 Notices. All notices and demands hereunder will be in writing and will be served by personal service, facsimile transmission or mail at the address of the receiving party set forth in this Agreement (or at such different address as may be designated by such party by written notice to the other party). All notices or demands by mail will be by certified or registered mail, return receipt requested, and shall be deemed complete 24 hours after receipt.

17.11 Section Headings and Language Interpretation. The section headings contained herein are for reference only and will not be considered substantive parts of this Agreement. The use of the singular or plural form will include the other form, and the use of masculine, feminine or neuter genders will include the other genders.

17.12 Equitable Relief. BUYER acknowledges that any breach of its obligations under this Agreement with respect to VENDOR Proprietary Rights or Confidential Information of VENDOR will cause VENDOR irreparable injury for which there are inadequate remedies at law, and therefore VENDOR will be entitled to receive in any court of competent jurisdiction injunctive, preliminary or other equitable relief in addition to damages, including court costs and fees of attorneys and other professionals, to remedy any actual or threatened violations of its rights with respect to such matters.

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17.13 Waiver. The waiver by either Party of any default by the other will not waive subsequent defaults by the other of the same or a different kind, and all waivers must be in writing to be effective.

17.14 Attorneys' Fees. In the event any litigation is brought by either Party in connection with this Agreement, the substantially prevailing Party in such litigation will be entitled to recover from the other party all the reasonable costs, attorneys' fees and other expenses incurred by such Party in the litigation, and need not bring a suit to final judgment to substantially prevail.

17.15 Execution of Agreement. This Agreement will become effective only after it has been signed by both Parties. Each person executing this Agreement represents and warrants that he or she has been duly authorized under the applicable Party's charter documents and applicable law to execute this Agreement on behalf of the applicable Party. This Agreement may be executed in two or more counterparts, each of which when so executed will be deemed an original, and all of which together will constitute one and the same instrument.

Date: November 22, 2000	Date: ----------
FormFactor, Inc.	SamSung Electronics Co.
By: /s/ Peter Mathews ----------	By: [illegible] ----------
Date: ----------	Date: ----------
VP - Worldwide Sales	

APPENDIX 1 Probecard Pricing
APPENDIX 2 Quarterly updated Forecast
APPENDIX 3 First Article and Re-Order Delivery Lead-Times
APPENDIX 4 Spare parts
APPENDIX 5 Support Structure
APPENDIX 6 Outgoing Product Acceptance Check
APPENDIX 7 Warranty
APPENDIX 8 Product Specifications
APPENDIX 9 Product Acceptance Checklist

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Product Pricing for Samsung

Pricing Terms:

1. Pricing for probecards delivered in a 1 year period starting from the execution of the Probecard Purchase Agreement shall be as follows:

PRODUCT TYPE	ANNUAL QTY: * * * CARDS
* * *	* * *
* * *	* * *
* * *	* * *

2. Contract Term and Condition:

2.1 Contract term for one year shall be from December 2000 to November 2001.

2.2 Samsung will purchase * * * probecards during the contract term.

2.3 Pricing assumes BUYER places a blanket PO at the beginning of each quarter and places individual written releases against this quarterly order. Samsung shall only be responsible for those probecards covered on the individual written releases.

3. Price Condition:

3.1 Above unit prices will be reviewed in * * * and could be adjusted based on market situation if necessary.

3.2 The price for * * * will be negotiated toward about * * * if the volume is over * * * % out of * * *.

3.3 A * * * % premium shall apply to the table above should a DUT exceed * * *

3.4 Should Samsung purchase a quantity of * * * of a new design (* * *), a * * * % premium shall apply to the pricing above and the * * * shall apply. Should the New Design be a * * *.

4. Repair Condition:

4.1 The price to replace a probe head is * * *. Other repair costs are included in the attached repair policy and shall not exceed * * *.

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4.2 VENDOR will assign * * *.

4.3 Samsung shall provide VENDOR * * *.

5. Payment terms, Net * * *, F.O.B. Livermore, CA, Payable in US Dollars.

6. Samsung agrees to provide * * *, a written, good faith forecast of its demand for the following * * *, month periods. VENDOR has the right to adjust the pricing (either upward or downwards) from the table above based on the forecast received from BUYER.

7. VENDOR shall execute Local Presence Plan together with execution of the Probecard Purchase Agreement. (Refer to attached Local Presence Plan).

8. Both companies agree to Order Cancellation Policy (Attached).

9. Both companies will cooperate together to improve relationship.

10. FFI and Samsung shall issue a joint press release about the existence of this contract.

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Appendix 2

BUYER FORECAST FOR FORMFACTOR PROBECARDS

1. BUYER agrees to provide a good-faith forecast per the table below for its demand for the following * * * period, * * * before the end of each calendar quarter. * * *.

2. This forecast shall be used for planning purposes only.

FORECAST FOR FORMFACTOR PROBECARDS

			QUANTITY DELIVERED IN CALENDAR MONTH 2000											
PROD	DUT	TEST	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

FIRST ARTICLE AND RE-ORDER DELIVERY LEAD-TIMES

Subject to the terms of this Agreement, VENDOR agrees to offer BUYER the following First Article Standard Lead Times

DESIGN START	1ST ARTICLE	RE-ORDER 1	RE-ORDER 2
1H '2001	* * *	* * *	* * *
	* * *	* * *	* * *
	* * *	* * *	* * *

Re-Order 1: * * *
Re-Order 2: * * *

EXPEDITED DELIVERY:

1st Article: Should BUYER request an expedited delivery, VENDOR will make commercially reasonable efforts to meet expedited lead times * * *, subject to a * * * premium for expedited NRE and 1st article probecards.

Re-Order: Should BUYER request an expedited delivery, VENDOR will make commercially reasonable efforts to meet expedited lead times * * *, subject to a * * * premium for expedited NRE and 1st article probecards.

NOTES:

1. Lead-time is define as * * *.

2. Lead-time quoted is subject to * * *.

3. Should design changes be received after beginning of the design process, BUYER may be subject to additional charges and modified delivery schedules. Such changes would be by mutual agreement and would be taken on a case by case basis.

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SUPPORT STRUCTURE

Subject to the terms of this Agreement, VENDOR shall provide technical support and assistance to BUYER through a combination of telephone support, periodic visits from qualified factory personnel, and qualified local personnel, as described below:

Telephone Support:

If required, VENDOR shall schedule a weekly conference call with each BUYER site to communicate and discuss important technical issues. Additionally, VENDOR will designate a factory-based technical support person for all BUYER sites. This technical support person will be available during normal California business hours (8 am/5pm Pacific Standard Time) and will carry a Nationwide Pager for emergency support.

Support from Factory Personnel:

VENDOR will visit each BUYER site, as required, to provide reasonable technical support. Such support shall include training, trouble-shooting, and assistance in various projects or experiments. Visits by Factory Personnel may be substituted by local personnel as appropriate.

Support from Local Personnel:

VENDOR shall put in place and maintain, at its own cost, local support personnel for each BUYER site. At VENDOR'S discretion, Local support personnel shall be either employees of VENDOR or affiliates of VENDOR. Local personnel shall be situated within reasonable driving distance from each BUYER site.

Each local support person shall be required to complete a VENDOR training certification course. Training and certification shall take place annually. VENDOR local support shall be allowed reasonable access to the test areas within BUYER sites so that they may assist in technical support.

VENDOR reserves the right to replace local personnel with 30 days notice to BUYER.

FormFactor
2140 Research Drive
Livermore, California 94550
Phone: 925.294-4300
FAX: 925.294-8147

E-mail: info@formfactor.com

FORMFACTOR

FACTORY REPAIR PRICE LIST AND POLICY

Version 0.1 Published: 4/17/00

FormFactor provides a repair service for probe cards damaged by events not covered by the standard FormFactor warranty (attached). FormFactor charges for the repair service based on the complexity of the repair, the cost of materials, and the manpower required completing the repairs. FormFactor strongly urges customers to work closely with the FormFactor Field Applications team to locate and eliminate the root cause of each damage incident to minimize the future risk of tester downtime and reduce probe card expenses.

Repair Policy

FormFactor will analyze each instance of probe card damage in order to determine the source of damage, whether the damage is covered by warranty, and potential repair strategies. Before performing any repairs, FormFactor will provide the customer a Repair Report that confirms damage, lists the repairs required, and includes a quotation for cost and lead time for the work to be performed. Upon approval of the quotation and receipt of a purchase order, repairs will be performed and the probe card shipped to the customer. * * *. In this case, the customer will be offered the next level of repairs and will only be charged for the repair successfully completed.

From time to time, customers may have an urgent need to replace a damaged probe card before FormFactor can complete repair. To meet urgent delivery requirements FormFactor may offer a new probe head from inventory to the customer. If the customer accepts this option, the customer will only be charged the cost of * * *. If a new probe head is shipped in lieu of a repaired probe head, the customer must also agree that FormFactor may repair the damaged probe head and may ship the repaired probe head as a component of a * * *. All replaced components become the property of FormFactor and will not be returned.

FormFactor encourages customers to establish an open purchase order for repair services in order to reduce the lead-time to resolve business issues surrounding repair quotations. Business issues can often dominate the lead-time for completing a repair and FormFactor's objective is to get each card repaired and back into production as quickly as possible.

- ----------

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All repaired cards are fully tested using FormFactor's standard outgoing quality procedures, meet all original specifications, and are covered by the standard FormFactor warranty in effect when the cards were originally shipped.

Repair Pricing

	ANALYSIS PERFORMED, NO REPAIR REQUESTED	* * *	* * *	COMMENTS
MINIMUM REPAIR CHARGE	* * *			Minimum charge if analysis finds no problem
INDIVIDUAL TIP REPLACEMENT	* * *	* * *	* * *	
SPRING RE-POSITIONING	* * *	* * *	* * *	

	* * *
MAJOR REPAIR	* * *
PCB REPLACEMENT	* * *

NOTE: All shipping costs and import duties are the responsibility of the customer.

- --------
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FormFactor
2140 Research Drive
Livermore, California 94550
Phone: 925.294-4300
FAX: 925.294-8147

E-mail: info@formfactor.com

Analysis Service Pricing

Advanced Failure Analysis - Up to * * * DUTs	* * *	Detailed failure analysis performed in addition to standard Repair Report. Only required when requested by customer.
Advanced Failure Analysis - * * * DUT	* * *	Detailed failure analysis performed in addition to standard Repair Report. Only required when requested by customer.

- --------
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FormFactor
2140 Research Drive
Livermore, California 94550
Phone: 925.294-4300
FAX: 925.294-8147

E-mail: info@formfactor.com

WAFERPROBE(TM) WARRANTY POLICY

Warranty

The FormFactor WaferProbe System is warranted to be, under normal use and conditions, free from defects in materials and workmanship for the entire life of the product to be probed (the "WARRANTY PERIOD"). In addition, the WaferProbe system is warranted to comply with the precipitator published specification for X/Y placement, planarity and total path resistance over the full Warranty Period. This limited warranty does not cover defects or damage due to acts of God, use or handling not in accordance with specifications or instructions, or repair or modification by anyone other than FormFactor or FormFactor authorized agents. Without limiting the generality of the foregoing, a partial list of defects covered and not covered by this warranty is set forth below.

Covered by Warranty:

- Electrical or mechanical failure of any component of the WaferProbe system when operated under normal conditions as described in the WaferProbe specification.
- Wear due to operation when adhering to an approved FormFactor, Inc. cleaning protocol

Not Covered by Warranty:

- Damage due to excess overdrive (* * *)
- Damage due to improper handling
- Any damage caused by Metrology tools
- Any damage outside the prober
- Any damage caused by loose contaminants or particulates
- Damage due to not following documented cleaning procedures

- Operation outside temperature range * * *
- Excess electrical current (* * *)
- "Hot" touchdown or lift-off - connecting or disconnecting the probe card from the wafer with voltage on pins
- Damage due to prober malfunction

- --------
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Sole Remedy

Should the WaferProbe System fail to conform to the above warranty during the Warranty Period, the customer's sole remedy and FormFactor's sole obligation is FormFactor will repair or replace the probe card at no charge to the customer.

Warranty Claims Process

The customer, must notify its FormFactor sales representative in writing (via e-mail, facsimile or letter) of the defect the customer is experiencing, and if FormFactor, Inc. determines that repair, or replacement is necessary, customer will receive a Service Authorization Request (SAR) number. Customer shall not return any WaferProbe System without an SAR. No work will be done on any returned product until an SAR # is assigned. Customer may then, at its own expense, return to FormFactor the WaferProbe System in question, freight prepaid and in the same packing conditions in which it left FormFactor premises, accompanied by a brief statement explaining the claimed defect. Upon receipt of the WaferProbe System, FormFactor's factory personnel will perform a failure analysis on the returned WaferProbe System to confirm the defect and determine the nature of the defect. The failure analysis repair will be available upon customer request.

If FormFactor determines that the failure of the WaferProbe System is covered by the limited warranty, FormFactor will repair or replace the probe card.

If FormFactor determines that any returned WaferProbe System is fully functional and not defective, FormFactor will provide a written statement setting forth FormFactor's conclusion that the returned WaferProbe System was not defective. If a non-defective, damaged WaferProbe System may be repaired, the customer may request that FormFactor quote price and delivery terms for repair of the WaferProbe System. If the WaferProbe System is not repairable or the customer chooses not to have the card repaired, FormFactor will return the WaferProbe System to the customer at the customer's expense, freight collect and the customer agrees to pay FormFactor's reasonable cost of handling and testing.

Disclaimer

THE WARRANTIES SET FORTH ABOVE ARE IN LIEU OF ALL OTHERS. AND FORMFACTOR SPECIFICALLY DISCLAIMS ANY AND ALL OTHER WARRANTIES. WHETHER EXPRESS. IMPLIED OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF NON INFRINGEMENT, FITNESS FOR A PARTICULAR PURPOSE, OR MERCHANTABILITY. NO PERSON IS AUTHORIZED TO MAKE ANY OTHER WARRANTY OR REPRESENTATION CONCERNING THE PERFORMANCE OF THE WAFERPROBE SYSTEM OTHER THAN AS PROVIDED IN THIS SECTION.

FORMFACTOR

P02-0002B

WAFERPROBE(TM) PARALLEL MEMORY

DEVICE PROBE CARD SPECIFICATION

1. Document Number: P02-0002B

2. Title: WaferProbe Parallel Memory Device Probe Card Specification

3. Purpose/Scope:

   3.1 The purpose of this document is to provide information as to FormFactor's standard specification and commitment to the customer of probe card performance and capabilities.

4. Responsibility:

   4.1 Director of Marketing and Director of Design Engineering are jointly responsible for maintaining this document.

5. Applicable Documents:

6. Definition:

7. Equipment, Tools, Materials, and Supplies:

   7.1 Equipment:

   7.2 Tools:

   7.3 Materials:

   7.4 Supplies:

8. Procedure:

   8.1 Operation Procedure:

9. Quality:

   9.1 If for any reason the specification can not be followed notify Director of Marketing immediately.

10. Safety:

   10.1 Observe any and all safety issues.

11. Attachment:

11.1. WaferProbe(TM) Parallel Memory Device Probe Card Specification

12. History:

Date	Rev	ECN #	Originator	Description
10/13/98	A	8091502	M. Brandemuehl	New Document
09/27/99	B	9090804	M. Brandemuehl	Add new standard * * * spec, * * *

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* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

PARAMETER	NOMINAL SPECIFICATION	TOLERANCE	COMMENTS
* * *	* * *	* * *	Measured on FormFactor spring force metrology tool
* * *	* * *	* * *	Measured on FormFactor spring force metrology tool
PLANARITY (* * *)			* * *
PLANARITY (* * *)			* * *
SCRUB LENGTH	* * *		For reference only. Actual scrub length will vary depending on the condition of operation.
RECOMMENDED OVERTRAVEL	* * *		
MAXIMUM OVERTRAVEL	* * *		* * *
MAX USABLE AREA ON PROBE HEAD	* * *		* * *
IMPEDENCE	* * *	* * *	* * *
LEAKAGE	* * *	* * *	
TIMING SKEW Signal Skew between longest path and shortest path introduced by probe card		* * *	[Diagram]
DC PATH RESISTANCE POWER/GROUND PIN		* * *	* * *
DC PATH RESISTANCE COMMON GROUND PIN		* * *	* * *
DC PATH RESISTANCE SIGNAL PIN		* * *	* * *
ROTATION OF TIPS TO PCB		* * *	
HOT CHUCK TEMPERATURE (T)		* * *	

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PARAMETER	NOMINAL SPECIFICATION	TOLERANCE	COMMENTS
PROBE HEIGHT	(1) * * * (2) * * *	(1) Nominal +/- 0.35 mm (2) Nominal +/- 0.5 mm	[diagram]
MICROSPRING(TM) CONTACT LENGTH	* * *	For reference only	[diagram]
MICROSPRING CONTACT HEIGHT	* * *	For reference only	[diagram]
PROBE TIP SHAPE	* * *		FormFactor proprietary alloy
PROBE TIP MATERIAL	* * *		[diagram]
PROBE TIP SIZE	* * *	* * *	[diagram]
X-Y TIP PLACEMENT		* * *	[diagram]

+ Drawings not to scale

- --------
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PROBECARD ACCEPTANCE CHECKLIST

Product ID:	Date:
Manufacturer:	Probecard No.
Device:	DUT:

OPTICAL CHECK

Probe tips	ok
Solder Pads	ok
Added Facilities	ok

PRECISION POINT CHECK

	Max	Min	Mean	Units	
X position				um	ok
Y position				um	ok
Planarity				um	ok
Alignment				um	ok
Leakage				nA	ok
Scrub Length				um	ok
Scrub Diameter				um	ok
Scrub Angle				(0)	ok
Contact Resistance				[Omega]	ok
Probe Force				gm	ok
Capacitors					ok

TESTER CHECK

Contact Loop	ok
Difference first/last contact	ok
Probemark inspection	ok
Hardcode	ok

Reference measurements	Tester
	Board
	Probecard
	Lot
	Yield comparison

CHECK RESULT

Comments:

Rework:	YES	NO
Return:	YES	NO
Release:	YES	NO

Name:_____ Signature:_____

EXHIBIT 10.24.1
CONFIDENTIAL TREATMENT REQUESTED

[PRODUCT PRICING FOR SAMSUNG]

[Date: Oct/31/2001]

Pricing for Probecards ordered in 12 months period starting the execution of the Probecard purchase agreement shall be as follows:

1. Minimum Q'ty : * * *

2. Unite Price : * * *

3. Product : * * *

4. Order due date : * * *

5. Delivery due date : * * *

6. Minimum Q'ty/New-design:

   6-1. * * * for * * *

   6-2. * * * (* * *) for * * *.

   6-3. Minimum re-order Q'ty: * * * (* * *-will be credit with the re-order)

7. Guest engineer: Guest engineer will be dispatched to get new design information at SEC.

8. Signed: Agreed as above for * * * and will be applied in the future PPA.

FormFactor, Inc.	Samsung Electronics Co., Ltd.
By: /s/ K.K. Kim	By: /s/ S.M. Lee
Date: Oct/31/2001	Date: 10/31/2001

FormFactor Confidential

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as * * *. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

Product Pricing for Samsung

Pricing Terms:

1. Pricing for probecards delivered in a 1 year period starting from the execution of the Probecard Purchase Agreement shall be as follows:

Product Type	Unit Price	NRE
* * *	$ * * *	$ * * *
* * *	$ * * *	$ * * *
* * *	$ * * *	$ * * *

2. Contract Term and Condition:

2.1 Contract term for one year shall be from January 2002 to December 2002

2.2 The * * * for * * * is guaranteed

3. Price Condition:

3.1 A * * * shall apply to the table above should a DUT exceed * * * (over * * * for * * *)

3.2 Should Samsung purchase a quantity of * * * than * * * of a new design (* * *), the * * * shall apply. * * * re-orders quantity is * * * and * * * will be * * * for next new design for * * * than * * * of new design. Should the New Design be a * * *, the * * * shall be * * * at a * * * of * * *.

4. Repair Condition:

4.1 Gold Service Contract is included on above price. (Attached)

4.2 VENDOR will assign a * * * for * * * support without any * * *.

5. Payment terms, * * *, F.O.B. Livermore, CA, Payable in US Dollars

6. Both companies agree to Order - Cancellation Policy (Attached)

7. Both companies will cooperate together to improve relationship.

8. FFI and Samsung shall issue a joint press release about the existence of this contract.

9. Signed:

FormFactor, Inc.	Samsung Electronics Co., Ltd.
By: /s/ S.M. Kim	By: /s/ [illegible]
Date: 1/10/2002	Date: 1/10/2002

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as * * *. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

1-1 Accept SEC's proposal about category of warranty and non-warranty (SEC will pay for ***)

1-2 Free local repair for *** except ***

1-3 ***/ea (excl. VAT) for local repair (per SEC request)

1-4 Local repair service detail (Possible rework at current point)

1) ***: Less *** without ***: Repairable

2) ***: Less *** without ***: Repairable

Over *** without ***: will determined if it is repairable or not based on the investigation.

3) ***: Non repairable. (non-warranty)

1-5 Maintain current repair pricing for replacement of new probe head and PCB

* ***% of original sales price for new probe head

* ***% of original sales price for PCB replacement

* All *** costs and *** are responsibility of customer for non-warranty

1-6 Both companies should work together through TFT to reduce number of SAR as well as finding root causes for specific problem

PRODUCT PRICING FOR SAMSUNG

Pricing Terms:

1. Pricing for probecards delivered in a 1 year period starting from the execution of the Probecard Purchase Agreement shall be as follows:

Product Type	Unit Price	NRE	Credit Condition
* * *	$ * * *	$ * * *	Total qty = * * *
* * *	$ * * *	$ * * *	Total qty = * * *
* * *	$ * * *	$ * * *	Total qty = * * *
* * *	$ * * *	$ * * *	Total qty = * * *

2. Contract Term and Condition:

   2.1 Contract term for one year shall be from December 2002 to December 2003.

3. Price Condition:

   3.1 A * * *% premium shall apply to the table above should a DUT exceed * * * (* * *), and * * * a DUT exceed * * *.

   3.2 For * * *, Should Samsung purchase a quantity of * * * of a new design (* * *), the * * * shall apply.

   * * * will be credit for next new design in case purchasing * * * on * * *.

   Should the * * * be a * * *, the * * * shall be charged at a price of $* * *.

   3.3 For more than * * *, Should Samsung purchase a quantity of * * * of a new design (* * *), the * * * shall apply. * * * will be credit for next new design in case purchasing * * * on * * *.

   Should the * * * be a * * *, the * * * shall be charged at a price of $* * *.

   3.4 For * * * and * * * with * * *

   3.5 * * * is provided * * * at FFIK if * * * of PC purchased.
   * * * is provided * * * at FFIK if * * * of PC purchased.
   * * * is provided * * * at FFIK if * * * of PC purchased.

   3.6 Released product (* * * or * * *),(* * * or * * *),(* * *) is applied on * * *, and * * * is released when * * * is * * *.

   3.7 Recycling program is applied for purchasing.

4. Repair Condition:

   4.1 Gold Service Contract is included on above price. (Attached)

   4.2 VENDOR will assign a * * * for * * * support without any * * *.

5. Payment terms, Net * * *, F.O.B. Livermore, CA, Payable in US Dollars.

6. Both companies agree to Order Cancellation Policy (Attached).

7. Both companies will cooperate together to improve relationship.

8. FFI and Samsung shall issue a joint press release about the existence of this contract.

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as * * *. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

9. Signed:

FormFactor, Inc.	Samsung Electrics Co., Ltd.
By: /s/ [illegible]	By: /s/ [illegible]
Date: '03/01/22	Date: '03/01/22

/s/ Peter B. Mathews
VP-Worldwide Sales
Jan. 22, 2003

1-1 Accept SEC's proposal about category of warranty and non-warranty (SEC will pay for ***)

1-2 Free local repair for *** except ***

1-3 ***/ea (excl. VAT) for local repair (per SEC request)

1-4 Local repair service detail (Possible rework at current point)

1) ***: Less *** without ***: Repairable

2) ***: Less *** without ***: Repairable

Over *** without ***: will determined if it is repairable or not based on the investigation.

3) ***: Non repairable. (non-warranty)

1-5 Maintain current repair pricing for replacement of new probe head and PCB

* ***% of original sales price for new probe head

* ***% of original sales price for PCB replacement

* All *** costs and *** are responsibility of customer for non-warranty

1-6 Both companies should work together through TFT to reduce number of SAR as well as finding root causes for specific problem

EXHIBIT 10.25

CONFIDENTIAL TREATMENT REQUESTED

INTEL CORPORATION PURCHASE AGREEMENT -- CAPITAL EQUIPMENT AND SERVICES

AGREEMENT NUMBER: C-05673
EFFECTIVE DATE: 1-8-01
CNDA #: 43059

BUYER:

Intel Corporation (and all divisions and wholly-owned subsidiaries, hereinafter "BUYER" OR "INTEL").
5000 West Chandler Blvd.
Chandler, AZ 85226

SELLER:

FormFactor Inc. (hereinafter "SELLER").
5166 La Ribera Street
Livermore, CA 94550

ADDENDA ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE [X] General Terms and Conditions of Purchase Agreement - Capital Equipment and Services (MARK "X" WHERE APPLICABLE):

[X]	A	Additional Terms and Conditions Applicable to all Equipment Models, Spare Parts, and Services
[X]	B	Alcohol and Drug Free Workplace Directive
[X]	C	Protection of Buyer's Information Assets
[ ]	D	Equipment Specific Terms and Conditions
[ ]	E	Training and Documentation Requirements
[ ]	F	Spare Parts Price List
[ ]	G	Pricing for Services and Training
[ ]	H	Third Party Technology Escrow
[ ]	I	Spare Parts Consigned Inventory Program
[ ]	J	FSE Curriculum Summary
[X]	K	Negotiated Changes
[X]	L	Pricing and Lead-time
[X]	M	Procurement Specification
[X]	N	Subassembly/Electrical Specification

During the term of this Agreement and any extension thereto, Buyer may purchase and Seller shall accept all Releases for Items and Services in accordance with the prices and the terms and conditions contained in this Agreement. Any and all Releases, as may be issued by the Buyer, shall reference this Agreement and be governed solely by the terms and conditions of this Agreement notwithstanding any preprinted terms and conditions on Seller's acknowledgment or Buyer's Release. Any additional or different terms as may be contained in Seller's documents are hereby deemed to be material alterations, and Buyer hereby gives notice of objection to and rejection of such material alterations.

INTEL CORPORATION	SELLER
Signed: /s/ William E. deDiego	Signed: /s/ Larry Anderson
By: William E. deDiego	By: Larry Anderson
Title: Commodity Manager	Title: Director U.S. Sales
Date: 1-8-01	Date: 1-14-01

*** Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately.

GENERAL TERMS AND CONDITIONS OF PURCHASE AGREEMENT -- CAPITAL EQUIPMENT AND SERVICES

1. DEFINITIONS.

A. "CONSUMABLE" means a Spare Part whose life expectancy and mode of failure is known or predictable during the normal operation of the Equipment and that should meet the normal attributes of schedulable and predictable demand and life expectancy of less than * * *.

B. "CUSTOM ITEMS" mean those Items manufactured by Seller for sale exclusively to Buyer for which a minimum of twenty-five percent (25%) of Seller's cost pertaining to the Items is directly attributable to the customization for Buyer as set forth in the Purchase Spec.

C. "CONSIGNMENT" means any spare part owned by the Seller which Buyer chooses to hold on-site, or Seller holds off-site, at Buyer's discretion, to help Seller meet the Equipment availability requirements or productivity as defined in the Purchase Spec.

D. "EQUIPMENT" means whole systems that produce the required output per the applicable Equipment configuration and system performance specifications set forth in the Purchase Spec for each Equipment model or as otherwise agreed in writing by the parties.

E. "FACILITIZATION" means placement and rough hook-up of electrical, gas, and vacuum utilities to the Items.

F. "FORECAST(s)" means the quantity of Items or Services that Buyer reasonably anticipates it may purchase during a specified time.

G. "HAZARDOUS MATERIALS" mean dangerous goods, chemicals, contaminants, substances, pollutants or any other materials that are defined as hazardous by relevant local, state, national, or international law, regulations and standards.

H. "ITEMS" means either singly or collectively, as the context indicates: Equipment; Equipment components; software; hardware; Spare Parts; upgrades, retrofits, modifications, and enhancements to any of the foregoing purchased separately; or other goods which Seller is to sell to Buyer as set forth in this Agreement.

I. "LEAD-TIME" means the agreed number of calendar weeks or days from the date a Release is issued for an Item to the date the Item is to be received by the Seller.

J. "NON-CONSUMABLE" means a Spare Parts that is not replaced routinely and has an unpredictable life expectancy and that is typically replaced or repaired due to failures or deteriorating performance (quality and output).

K. "OTD" or "ON-TIME DELIVERY" means a percentage computed for each Buyer site for each (Buyer work week calendar) month equal to: the number of Releases for Items received by such site which are (i) complete and (ii) delivered to the * * *.

L. "PURCHASE SPEC" means the agreed Equipment Purchase Specification as set forth in Addendum D for each Equipment model purchased or to be purchased pursuant to this Agreement.

M. "RELEASE" means Buyer's purchase order or change order to ship a definite quantity of Items or to provide Services to a specified schedule.

N. "SERVICES" means the work to be performed by Seller including, but not limited to: installation, process qualification, maintenance, warranty repair, service call, continuous improvement, Equipment upgrades/modification, and extended service contracts as set forth in Addendum A and/or any Buyer factory specific Scope Of Work ("Scope of Work" or "SOW").

O. "SPARE PART(s)" mean Consumable and/or Non-Consumable Spare Parts.

- ----------
*** Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately.

2. TERM OF AGREEMENT.

A. This Agreement shall be effective for three (3) years from the Effective Date.

B. At Buyer's option, Items for which a Release has been issued prior the expiration of this Agreement may be scheduled for delivery up to six (6) months following such expiration or for such longer period as may be required to complete delivery.

3. PRICING.

A. Prices for Items, Training and Services set forth herein shall remain fixed or decline for the duration of this Agreement unless agreed otherwise in writing by the parties.

B. Throughout the term of this Agreement and any extensions thereto, Seller warrants to Buyer that the prices set forth in this Agreement or any addendum or amendment, in conjunction with the discounts offered herein for any Item or equivalent Service, reflect the Seller's lowest price charged any customer of Seller for that Item or equivalent Service regardless of any special terms, conditions, rebates or allowances of any nature. If Seller sells any Item or provides equivalent Service to any other customer at a price less than the price set forth in this Agreement or any addendum or amendment, Seller shall adjust its price to the lower price for all future invoices for such Item or Service and rebate to Buyer an amount equal to the difference in the price paid by Buyer and the lower price for any invoices already paid by Buyer for such Item or Service. In addition, Buyer may adjust the prices for any Item or Service invoiced by Seller and unpaid by Buyer to reflect the lower price. Each of the above adjustments and the rebate shall be calculated from the date the Seller first sells the Item or Service at the lower price. In the event the Seller offers a lower price either as a general price drop or to specific customer(s) for any reason, Seller shall immediately notify Buyer of this price and adjust Buyer's pricing to meet the new pricing structure.

C. Buyer reserves the right to have Seller's records inspected and audited to ensure compliance with this Agreement. At Buyer's option, or upon Seller's written request, such audit will be performed by an independent third party at Buyer's choice and expense. The audit will assume all Items sold under this Agreement are standard Items unless otherwise specified in this Agreement.

(i) Seller shall have the option to review the auditor's report prior to the release of such report to Buyer. If Seller disagrees with the auditor's report for any reason, Seller shall have the right to issue a letter in response, which will be included with the auditor's report to the Buyer.

(ii) If discrepancies are found during the audit and price adjustments are required to be paid by the Seller to the Buyer, Seller shall reimburse Buyer for all costs associated with the audit, along with a single payment covering the price adjustments within thirty (30) days after the completion of the audit. The results of such audit shall be kept confidential by the auditor and, if conducted by a third party, only Seller's failures to abide by the obligations of this Agreement shall be reported to Buyer.

D. Applicable taxes and other charges such as duties, customs, tariffs, imposts, and government imposed surcharges shall be paid for by Seller without reimbursement from Buyer as part of the purchase price for Items and Services. In the event that Buyer is prohibited by law from remitting payments to the Seller unless Buyer deducts or withholds taxes therefrom on behalf of the local taxing jurisdiction, then Buyer shall duly withhold such taxes and shall remit the remaining net invoice amount to the Seller. Buyer shall not reimburse Seller for the amount of such taxes withheld.

E. Additional costs, except those provided for herein or specified in a Release, will not be reimbursed without Buyer's prior written approval.

F. All prices are in U.S. dollars.

G. Seller shall provide Seller's annual audited financial statements and independent auditors' opinion to Buyer within three (3) months of the Seller's fiscal year-end date. Seller shall provide Seller's annual financial statements for

Seller's equipment division/subsidiary and a signed management letter to Buyer within three (3) months of the Seller's fiscal year-end date.

4. INVOICING AND PAYMENT.

A. Prompt payment discounts will be computed from the latest of: (i) the scheduled delivery date; (ii) the date of actual delivery; or (iii) the date a properly filled out original invoice or packing list is received. Payment is made when Buyer's check is mailed or EDI funds transfer initiated.

B. Original hard-copy invoices shall be mailed or delivered by courier. Invoices shall include: Purchase Agreement number from the Release, purchase order number, line item number, Release number, part number, complete bill to address, description of Items, quantities, Buyer part number, listing of and dates of Services provided, unit prices and extended totals in U.S. dollars. Any applicable taxes or other charges such as duties, customs, tariffs, imposts and government imposed surcharges shall be stated separately on Seller's invoice. Payment of an invoice shall not constitute acceptance of the Item or Service.

C. Seller shall be fully responsible for, indemnify and hold Buyer harmless from any and all payments to its vendors or subcontractors utilized in the performance of Services.

D. Except for each new Equipment model, payment on Equipment shall be as follows: * * * percent (* * * %) net * * * (* * *) days from ship date; * * * percent (* * * %) net * * * (* * *) days from the final acceptance date. If final acceptance of the Equipment is delayed beyond * * * (* * *) days from the date of shipment due to no fault of the Seller, Buyer will pay the balance of * * * percent (* * * %) net * * * (* * *) days from the date of shipment. On each Equipment model that Buyer purchases for the first time, payment shall be * * * percent (* * *%) net * * * (* * *) days from shipment; * * * percent (* * *%) net * * * (* * *) days from the final acceptance date. Seller shall submit Buyer acceptance certificate or non-acceptance certificate at completion of final acceptance tests.

E. Payment on all Items and Services other than Equipment shall be * * * percent (* * *%) net * * * (* * *) days after * * *.

F. Seller agrees to invoice Buyer no later than * * * (* * *) days after completion of Services or the delivery of Item(s) to the FCA point. Buyer will not be obligated to make payment against any invoices submitted after such period. In addition, if Seller exceeds * * * (* * *) * * * without providing written documentation with the purpose to collect payment on any invoice, Buyer shall not be obligated to make payment against such invoice regardless of initial invoice submittal.

5. TERMINATION FOR CONVENIENCE.

A. Buyer may terminate any Release placed hereunder, in whole or in part, at any time for its sole convenience by giving written notice of termination to Seller. Upon Seller's receipt of such notice, Seller shall, unless otherwise specified in such notice, immediately stop all work hereunder, give prompt written notice to and cause all of its vendors or subcontractors to cease all related work and, at the request of Buyer, return any materials provided to Seller by Buyer.

B. There shall be no charges for termination of orders for standard Items or for Services not yet provided. Buyer will be responsible for payment of authorized Services and Items already provided by Seller but not yet invoiced. Paragraphs C through E of this Section 5 shall govern Buyer's payment obligation for Custom Items. Notwithstanding anything to the contrary, Seller shall not be compensated in any way for any work done after receipt of Buyer's notice, nor for any costs incurred by Seller's vendors or subcontractors after Seller receives the notice, nor for any costs Seller could reasonably have avoided, nor for any indirect overhead and administrative charges or profit of Seller.

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C. Any claim for termination charges for Custom Items must be submitted to Buyer in writing within * * * (* * *) days after receipt of Buyer's termination notice along with a summary of all mitigation efforts.

D. Seller's claim may include the net cost of custom work in process scheduled to be delivered within * * * (* * *) days and which must be scrapped due to the cancellation. Seller shall, wherever possible, place such custom work in process in its inventory and sell it to other customers. In no event shall such claim exceed the following cancellation schedule for Equipment .

* * *

Upon payment of Seller's claim, Buyer shall be entitled to all such work and materials paid for.

E. Before assuming any payment obligation under this section, Buyer may inspect Seller's work in process and audit all relevant documents prior to paying Seller's invoice.

F. Notwithstanding anything else in this Agreement, failure to meet the delivery date(s) in the Release shall be considered a material breach of contract and shall allow Buyer to terminate the order for the Item and/or any subsequent Releases without any liability whether the Release was for standard or Custom Items.

6. CONTINGENCIES.

Neither party shall be responsible for its failure to perform due to causes beyond its reasonable control such as acts of God, fire, theft, war, riot, embargoes or acts of civil or military authorities. If delivery of Items or the performance of Services is to be delayed by such contingencies, Seller shall immediately notify Buyer in writing. If the delay is greater than thirty (30) days from the date of the notice, Buyer will have the option, in its sole discretion, to either (i) extend time of delivery or performance, or (ii) terminate the uncompleted portion of the order at no cost of any nature to Buyer.

7. DELIVERY, RELEASES AND SCHEDULING.

A. Any Forecasts provided by Buyer are for planning purposes only and do not constitute a Release or other commitment by Buyer. Buyer shall have no obligation to and may, at its sole discretion, issue Releases under this Agreement. Buyer shall be responsible only for Items or Services for which it has issued Releases hereunder.

B. Seller shall notify Buyer's purchasing agent, (as noted on the Release), within * * * (* * *) hours if Seller is unable to make any scheduled delivery of Items or perform Services as scheduled and state the reasons. Such notification by Seller shall not affect Buyer's termination rights under Section 5.

C. Seller agrees to acknowledge each Release to Buyer (as noted on the Release) within * * * (* * *) hours after receipt of the Release.

D. Buyer may place any portion of a Release on hold by notice that will take effect immediately upon receipt. Releases placed on hold will be rescheduled or cancelled within * * * (* * *) days. Any Release cancelled shall be subject to the terms and conditions of Section 5.

E. * * *

F. Seller agrees that all Items will be delivered ready for shipment to the FCA point on the exact date specified in the Release ("Ship Date"). Late deliveries of any Items except Spare Parts (as measured by adherence to the Ship Date on the most recent Release or contractual committed lead-time, whichever is earlier) will result in, at Buyer's option, a price reduction (or debit to Seller's account) on such late Items of * * * percent (* * *%) for each calendar day late. In addition, Seller shall deliver, at its sole cost and expense, any late shipment of Items by expedited freight as instructed to Buyer's site. If Seller is unable to commit to the lead-times as defined in the Equipment Specific Terms and Conditions, the price reduction for late deliveries shall apply to the earlier of the committed Ship Date or the lead-time date calculated in accordance with Equipment Specific Terms and Conditions. Early deliveries of

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Items (as measured by adherence to the Ship Date on the most recent Release) will result in a price reduction of * * * dollars ($* * *) for each calendar day that an Item is delivered early. Partial deliveries are counted as late shipments and will only be considered complete when all Items, (and other Spare Parts required to install and qualify Equipment, if applicable) have been shipped. Equipment shipments will not be considered complete until the Environmental Health and Safety documentation outlined in Sections 1.14 and 1.16 has been completed and provided to Buyer. Buyer shall have the option to terminate the Release, in whole or in part, with no cancellation charge for any Equipment not delivered to FCA point on the Ship Date. Seller will be responsible for any costs incurred by Buyer in obtaining cover in the event of such termination.

G. * * *

H. At Buyer's discretion, * * *.

I. Seller will, as required by Buyer, * * *, and Buyer will * * * at such times and for such periods as may be determined by Buyer.

J. Configuration and other Buyer-requested or Buyer-approved changes that result in Ship Date changes will be reflected on a change order to the Release showing the revised ship and delivery dates subject to Section 7F.

K. Seller will notify Buyer in writing of the planned obsolescence of any Item or part revision and will make that Item available to the Buyer for a minimum of one hundred eighty (180) days after the notice, during which time Buyer will have the option to place a final Release for such Items for delivery after the one hundred eighty (180) day notice. Buyer may return obsolete Items within ninety (90) days after written notification of part revision or obsolescence, at no cost. If any warranty return claims are made for such discontinued Items, then such returns will be subject to the warranty provisions in Section 8.

8. ACCEPTANCE AND WARRANTIES.

A. All Items purchased by Buyer are subject to inspection and test (source inspection) before being allowed to ship from Seller's factory. Source inspection requirements are described in the Purchase Spec unless agreed otherwise in writing by the parties. Seller shall be responsible for source inspections and shall provide Buyer with written certification that Items tested have passed source inspection and comply in all respects with the requirements described in the Purchase Spec. Buyer may participate, as it deems necessary, in source inspections. If any inspection or test is made on Seller's premises, Seller shall provide Buyer with reasonable facilities and assistance at no additional charge.

(i) Notwithstanding any source inspection or testing at Seller's premises, all Items purchased by Buyer are subject to Buyer's inspection and test (qualification) before final acceptance at Buyer's premises. Final acceptance requirements are described in the Purchase Spec unless agreed otherwise in writing by the parties. Items, other than Equipment, rejected by Buyer as not conforming to the Purchase Spec may be returned to Seller at Seller's risk and expense and, at Buyer's option, such Item shall be immediately repaired or replaced

(ii) If Equipment does not pass final acceptance criteria, due to no fault of Buyer, within * * * (* * *) days of delivery, then Buyer may give written notice to Seller of failure to meet final acceptance criteria on time. If Equipment does not meet final acceptance criteria within * * * (* * *) days of such notice, Buyer may, at Buyer's option; (a) return the Equipment for full credit or (b) have the Equipment replaced with new Equipment within * * * (* * *) days of Buyer's written election of option, or (c) initiate Buyer's escalation procedures per part 3 (Services) section 7 (escalation) of Addendum A.

(iii) Acceptance and/or inspection by Buyer shall in no event constitute a waiver of Buyer's rights and remedies with regard to any subsequently discovered defect or nonconformity.

B. Seller warrants to Buyer that all Items provided by Seller for delivery hereunder shall conform in all respects to the Purchase Spec; be free from defects in material and workmanship and be new, of the grade and quality specified.

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(i) If an Item delivered hereunder does not comply with any of the above warranties, Buyer shall notify Seller as soon as practicable and at Buyer's option, Seller shall repair or replace the defective Item, at its sole cost and expense, or refund the purchase price. Seller shall also be responsible for and pay the cost of shipping of all Items not conforming to the warranties and will bear the risk of loss of such Items while in transit and any other costs reasonably associated with a nonconforming Item, such as, the cost to deinstall the Item.

(ii) The warranty period for Equipment shall apply for * * * (* * *) years (both Spare Parts and Service) starting from the date of final acceptance of the Equipment. The warranty for additional Spare Parts, Service, Equipment conversion kits, Equipment upgrades or Equipment modifications shall apply for * * * (* * *) year from the date of installation of the Item or for the Item's remaining warranty period, whichever is longer. Seller shall perform warranty work * * * (* * *) hours per day, * * * (* * *) days per week. Seller will offer and Buyer may purchase additional periods of warranty.

(iii) In conjunction with the warranty period, Seller shall perform all preventative maintenance on a mutually agreeable schedule.

(iv) At Buyer's option the labor value of the warranty, or the purchase price of an extended warranty (if purchased with the Equipment), can be credited against a Service contract prior to the end of the warranty period. All warranty terms will continue to apply throughout the term of any Service contract or extended warranty period.

(v) Seller shall send Buyer notices at * * * (* * *) days and * * * (* * *) days prior to the warranty expiration date for an Item explaining the extended warranty options and costs.

C. Seller further warrants that all Items furnished hereunder will not infringe any third party's intellectual property rights, and that Seller has the necessary right, title, and interest to provide said Items and Services to Buyer free of liens and encumbrances.

D. All of the above warranties shall survive any delivery, inspection, acceptance, payment, or resale of the Items.

E. Seller warrants that all Services provided shall be performed in accordance with good workmanlike standards and shall meet the descriptions and specifications provided on Addendum A or a SOW. Seller shall guarantee workmanship for * * * after Services are provided unless agreed otherwise in writing by the parties. Seller shall promptly correct any non-conforming or defective workmanship at no additional cost to Buyer.

F. Notwithstanding anything to the contrary contained in this Agreement, Seller represents and warrants that there will be no disruption in the delivery of Items or Services under this Agreement as a result of or due to the date change from and between December, 1999, and January, 2000, nor due to the year 2000 being a leap year.

9. PURCHASE SPECIFICATIONS, IDENTIFICATION AND ERRATA.

A. Seller shall not modify the purchase specifications for any Item or Services without the prior written approval of the Buyer.

B. Seller shall cooperate with Buyer to provide configuration control and traceability systems for Items and Services supplied hereunder.

C. Seller shall provide Buyer with an errata list for each Item and shall promptly notify Buyer in writing of any new errata with respect to the Items.

10. PACKING AND SHIPMENT.

A. All Items shall be prepared for shipment in a manner which: (i) follows good commercial practice, (ii) is acceptable by common carriers for shipment at the lowest rate, and (iii) is adequate to ensure safe arrival. If Buyer requests, Seller will package Items for cleanroom delivery, per Buyer specification. Seller shall mark all containers with necessary lifting, handling, unpacking and shipping information, Release number, Buyer's Item Identification number or part number, description, Line item number, date of shipment and the names of the Buyer and Seller.

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B. All Equipment shall be delivered FCA (Seller's dock) according to July 1990 Incoterms. Buyer shall notify Seller of the method of shipment. If no instructions are given, Seller shall select the most cost effective carrier based upon Buyer's required delivery date. Title and risk of loss to Equipment shall pass to Buyer upon delivery to the FCA point.

C. All Items other than Equipment shall be Delivered Duty Paid ["DDP"; July 1990 Incoterms] Buyer's dock for Non-Free Trade zone factory sites or Delivery Duty Unpaid ["DDU"; July 1990 Incoterms] Buyer's dock for Free Trade zone factory sites as specified in the Release. Title and risk of loss for all Items other than Equipment shall pass to Buyer upon delivery of Items to Buyer's dock.

11. OWNERSHIP AND BAILMENT RESPONSIBILITIES.

A. Any specifications, drawings, schematics, technical information, data, tools, dies, patterns, masks, gauges, test equipment and other materials furnished to Seller or paid for by Buyer shall (i) remain or become Buyer's property, (ii) be used by Seller exclusively for Buyer's orders, (iii) be clearly marked as Buyer's property, (iv) be segregated when not in use, (v) be kept in good working condition at Seller's expense, and (vi) be shipped to Buyer promptly on Buyer's demand or upon termination or expiration of this Agreement, whichever occurs first. Any such property furnished by Buyer to Seller that is marked or otherwise noted by Buyer as being confidential information will be treated by Seller in accordance with Section 12 hereafter.

B. Seller shall be liable for any loss of or damage to Buyer's property while in Seller's possession or control, ordinary wear and tear excepted.

12. CONFIDENTIALITY AND PUBLICITY.

A. During the course of this Agreement, either party may have or may be provided access to the other's confidential information and materials. Additionally, Seller may be engaged to develop new information for Buyer, or may develop such information during the performance of Services, which information will become, upon creation, Buyer's confidential information unless otherwise agreed in writing. Provided information and materials are marked in a manner reasonably intended to make the recipient aware, or the recipient is sent written notice within forty-eight (48) hours of disclosure, that the information and materials are "Confidential", each party agrees to maintain such information in accordance with the terms of this Agreement and the CNDA referenced on the signature page of this Agreement and any other applicable separate nondisclosure agreement between Buyer and Seller. At a minimum each party agrees to maintain such information in confidence and limit disclosure on a need to know basis, to take all reasonable precautions to prevent unauthorized disclosure, and to treat such information as it treats its own information of a similar nature, until the information becomes rightfully available to the public through no fault of the non-disclosing party. Seller's employees who access Buyer's facilities may be required to sign a separate access agreement prior to admittance to Buyer's facilities. Furthermore, Seller will furnish a copy of Addendum C to each of its employees, agents and subcontractors who perform work or Services on Buyer's premises or facilities or otherwise has access to Buyer's classified and proprietary information, networks or software, and will take reasonable steps to assure Buyer that all such have read and understood Addendum C. Seller shall not use any of the confidential information created for Buyer other than for Buyer.

B. Neither party may use the other party's name in advertisements, news releases, publicity statements, financial statement filings (unless in areas specifically required to meet General Accepted Accounting Principles (GAAP) or Securities Exchange Commission (SEC) filing requirements or disclose the existence of this Agreement, nor any of its details or the existence of the relationship created by this Agreement, to any third party without the specific, written consent of the other. If disclosure of this Agreement or any of the terms hereof is required by applicable law, rule, or regulation, or is compelled by a court or governmental agency, authority, or body: (i) the parties shall use all legitimate and legal means available to minimize the disclosure to third parties of the content of the Agreement, including without limitation seeking a confidential treatment request or protective order; (ii) the disclosing party shall inform the other party at least ten (10) business days in advance of the disclosure; and (iii) the disclosing party shall give the other party a reasonable opportunity to review and comment upon the disclosure, and any request for confidential treatment or a protective order pertaining thereto, prior to making such disclosure. The parties may disclose this Agreement in confidence to their respective legal counsel, accountants, bankers, and financing sources as necessary in connection with obtaining services from such third parties. The obligations stated in this section shall survive the expiration or termination of this Agreement.

C. Neither party may use the other party's name or trademarks in advertisements, brochures, banners, letterhead, business cards, reference lists, or similar advertisements without the other's written consent.

13. INTELLECTUAL PROPERTY INDEMNITY.

A. Seller shall indemnify and hold Buyer and its customers harmless from any and all costs, expenses (including reasonably attorneys' fees), losses, damages or liabilities incurred because of actual or alleged infringement of any patent, copyright, trade secret, trademark, maskwork or other intellectual right arising out of the use or sale by Buyer or Buyer's customers of Items or Buyer's products manufactured using the Item(s). Buyer shall notify Seller of such claim or demand and shall permit Seller to participate in the defense or settlement thereof.

B. If an injunction issues as a result of any claim or action, Seller agrees, at its sole cost and expense, and Buyer's option to either: (i) procure for Buyer the right to continue using Items, (ii) replace the Items with non-infringing Items or (iii) modify the Items so they become non-infringing. If, despite Seller's best efforts, none of the foregoing options are available, Buyer may at its option return the Item at Seller's sole cost and expense, and Seller shall refund to Buyer the purchase price of the Item.

C. Seller's obligations pursuant to this Section 13 shall not apply where: (i) custom Items are manufactured to Buyer's detailed design and such design is the cause of the claim; or (ii) Items are used in combination with Equipment, software or other products not supplied, required or recommended by Seller and such infringement would not have occurred but for such combination.

D. THE FOREGOING STATES THE ENTIRE OBLIGATIONS AND REMEDIES FLOWING BETWEEN BUYER AND SELLER ARISING FROM ANY INTELLECTUAL PROPERTY CLAIM BY A THIRD PARTY.

14. HAZARDOUS MATERIALS.

A. IF ITEMS OR SERVICES PROVIDED HEREUNDER INCLUDE HAZARDOUS MATERIALS, SELLER REPRESENTS AND WARRANTS THAT SELLER AND ITS EMPLOYEES, AGENTS, AND SUBCONTRACTORS PROVIDING SERVICES TO BUYER UNDERSTAND THE NATURE OF AND HAZARDS ASSOCIATED WITH THE HANDLING, TRANSPORTATION, AND USE OF SUCH HAZARDOUS MATERIALS, AS APPLICABLE TO SELLER.

B. PRIOR TO CAUSING HAZARDOUS MATERIALS TO BE ON BUYER'S PREMISES, SELLER SHALL PROVIDE BUYER WITH MATERIAL SAFETY DATA SHEETS (MSDS) AND ANY OTHER DOCUMENTATION REASONABLY NECESSARY TO ENABLE BUYER TO COMPLY WITH THE APPLICABLE LAWS AND REGULATIONS, AND OBTAIN WRITTEN APPROVAL FROM BUYER'S SITE ENVIRONMENTAL, HEALTH, AND SAFETY (EHS) ORGANIZATION. BUYER WILL NOT GRANT APPROVAL WITHOUT SELLER'S AGREEMENT TO COMPLY WITH BUYER'S HAZARDOUS MATERIALS MANAGEMENT REQUIREMENTS.

C. SELLER WILL BE FULLY RESPONSIBLE FOR, DEFEND, INDEMNIFY AND HOLD BUYER HARMLESS FROM ANY CLAIM OR LIABILITY ARISING IN CONNECTION WITH (1) PROVIDING SUCH HAZARDOUS MATERIALS TO BUYER, OR (2) THE USE OF SUCH HAZARDOUS MATERIALS BY SELLER, ITS AGENTS OR SUBCONTRACTORS IN PROVIDING SERVICES TO BUYER.

D. SELLER HEREBY CERTIFIES THAT ITEMS SUPPLIED TO BUYER DO NOT "CONTAIN" ANY CLASS I OZONE DEPLETING SUBSTANCES, AS THOSE TERMS ARE DEFINED BY LAW.

E. EXCEPT AS PROVIDED HEREAFTER, ITEMS RETURNED TO SELLER BY BUYER WILL BE DECONTAMINATED FROM HAZARDOUS MATERIALS TO THE DEGREE PRACTICAL, REASONABLE, AND AS REQUIRED BY APPLICABLE LAW OR REGULATION. UPON REQUEST, BUYER SHALL PROVIDE APPROPRIATE DOCUMENTATION TO SELLER THAT THE RETURNED ITEMS HAVE BEEN DECONTAMINATED. IF SELLER IS FINANCIALLY RESPONSIBLE FOR SHIPPING THE RETURN ITEMS, SELLER WILL BE RESPONSIBLE FOR THEIR DECONTAMINATION, AND BUYER SHALL MAKE BUYER'S FACILITIES AVAILABLE TO SELLER FOR THE DECONTAMINATION.

15. CUSTOMS CLEARANCE.

Upon Buyer's request, Seller will promptly provide Buyer with a statement of origin for all Items and with applicable customs documentation for Items wholly or partially manufactured outside of the country of import.

16. COMPLIANCE WITH LAWS AND RULES

A. Throughout the term of this Agreement and any extension thereto, Seller shall comply, at its sole cost and expense, with all applicable statutes, regulations, rules, ordinances, codes and standards (Laws) governing the manufacture, transportation or sale of Items or the performance of Services covered by this Agreement anywhere in the world. Without limiting the foregoing, in the United States (U.S.) this includes all applicable commerce, environmental , occupational safety, transportation and securities Laws and all employment and labor Laws governing Seller's personnel providing Services to Buyer. In complying with the Laws, it is understood and agreed that the Equipment shipped to all Buyer sites worldwide must be of a common configuration ("Copy Exactly) for use by all Buyer sites worldwide and comply with any and all product safety requirements described in the Purchase Spec or elsewhere in this Agreement. Any Copy Exactly exception must be mutually agreed to and documented in a configuration specification as a site specific option.

B. While on Buyer's premises or performing Services, Seller agrees to abide by all Buyer's rules and regulations that are provided to the Seller in writing; posted conspicuously or easily observed while on Buyer's premises or customarily followed or known by third party invitee, including, but not limited to security, heath, safety, environmental and hazardous material management rules and rules prohibiting the use of physical aggression against persons or property, harassment and theft. Seller will perform only those Services identified on Addendum A and will work only in areas designated for such Services. Seller shall take all reasonable precautions to ensure safe working procedures and conditions for performance on Buyer's premises and shall keep Buyer's site neat and free from debris.

C. Seller represents and agrees that it is in compliance with U.S. Executive Order 11246 and implementing EEO regulations, unless exempted or inapplicable, and that it has complied and will continue to comply with the U.S. Immigration Reform and Control Act of 1987. Seller shall indemnify and hold Buyer harmless from any penalties assessed against Buyer because of its violations of said laws due to its relationship with Seller under this Agreement.

17. INSURANCE.

A. Without limiting or qualifying Seller's liabilities, obligations or indemnities otherwise assumed by Seller pursuant to this Agreement, Seller shall maintain, at its sole cost and expense, with companies acceptable to Buyer, Commercial General Liability and Automobile Liability Insurance with limits of liability not less than $* * * per occurrence and including liability coverage for bodily injury or property damage (1) assumed in a contract or agreement pertaining to Seller's business and (2) arising out of Seller's product, Services or work. Seller's insurance shall be primary, and any applicable insurance maintained by Buyer shall be excess and non-contributing. The above coverages shall name Buyer as additional insured, and shall contain a severability of interest clause.

B. Seller shall also maintain statutory Workers' Compensation coverage, including a Broad Form All States Endorsement in the amount required by law, and Employers' Liability Insurance in the amount of $* * * per occurrence. Such insurance shall include an insurer's waiver of subrogation in favor of Buyer.

C. If Seller is providing any professional service to Buyer, Seller shall maintain Professional Liability Insurance (including errors and omissions coverage) with liability limits not less than $* * *.

D. Seller shall provide Buyer with properly executed Certificate(s) of Insurance prior to commencement of any operation hereunder and shall notify Buyer, no less than 30 days in advance, of any reduction or cancellation of the above coverages.

18. GENERAL INDEMNIFICATION.

Seller agrees to protect, defend, indemnify and hold Buyer harmless from and against any and all claims, liabilities, demands, penalties, forfeitures, suits, judgments and the associated costs and expenses (including reasonable attorney's fees), which Buyer may hereafter incur, become responsible for or pay out as a result of death bodily injury to any person, destruction or damage to any property, contamination of or adverse effects on the environment and any clean up costs in connection therewith, or any violation of governmental law, regulation, or orders, caused, in whole or in part, by (a) Seller's breach of any term or provision of this Agreement, (b) any negligent or willful acts, errors or omissions by

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Seller, its employees, officers, agents, representatives or sub-contractors in the performance of Services under this Agreement; or (c) dangerously defective Items.

19. RETENTION AND AUDITS

Seller will maintain complete and accurate records of the Services performed under this Agreement for a period of three (3) years after the completion of these Services. Records relating to the performance of this Agreement shall be made available to Buyer upon reasonable notice.

20. INDEPENDENT CONTRACTOR

In performing Services under this Agreement, Seller shall be deemed an independent contractor. Its personnel and other representatives shall not be deemed agents or employees of Buyer. As an independent contractor, Seller will be solely responsible for determining the means and methods for performing the required Services. Seller shall have complete charge and responsibility for personnel employed by Seller. However, Buyer reserves the right to instruct Seller to remove from Buyer's premises immediately any of Seller's personnel who are in breach of Section 16 or 21 of this Agreement. Such removal shall not affect Seller's obligation to provide Services under this Agreement.

21. SECURITY.

Seller confirms that, to the best of its knowledge, employees of Seller performing work at Buyer's facilities have no record of criminal convictions involving drugs, assaultive or combative behavior or theft within the last five (5) years. Seller understands that such employees may be subject to criminal history investigations by Buyer at Buyer's expense and will be denied access to Buyer's facilities if any such criminal convictions are discovered. Seller also agrees to comply with Buyer's Alcohol and Drug-free Workplace Directive set forth in Addendum B.

22. NEW DEVELOPMENTS.

If development Services are to be provided pursuant to this Agreement or if at any time during the term of this Agreement, Buyer pays any fee to the Seller for development Services, the following terms and conditions shall apply unless agreed otherwise in writing by the parties:

A. All intellectual property associated with any ideas, concepts, techniques, inventions, processes, or works of authorship developed, created or conceived by Seller, its employees, subcontractors or agents while performing the development Services for Buyer or from proprietary and/or confidential information or materials belonging to Buyer (collectively, "Developments") shall belong exclusively to Buyer and be deemed the confidential information of Buyer. Seller agrees to assign (or cause to be assigned) and does hereby assign fully to Buyer all such Developments.

B. Buyer acknowledges and agrees that Seller shall retain sole and exclusive ownership of any invention, improvement, development, concept, discovery, or other proprietary information owned by Seller or in which Seller has an interest ("Seller IP"). Notwithstanding the foregoing, Seller agrees that if in the course of performing the Services, Seller incorporates any Seller IP into any Development developed hereunder, Buyer is hereby granted and shall have a nonexclusive, royalty free, perpetual, irrevocable, worldwide license, including the right to sublicense, under any such Seller IP to make, have made, use, import, prepare derivative works of, reproduce, have reproduced, perform, display, offer to sell, sell, or otherwise distribute such invention, improvement, development, concept, discovery, or other proprietary information as part of or in connection with such Development.

C. Seller shall assist Buyer, at Buyer's expense, in obtaining, registering, perfecting and enforcing all patents, trademarks, mask work rights or copyrights necessary to protect Buyer's interest in the Developments assigned to Buyer pursuant to Paragraph (a) above. This includes the disclosure of all pertinent information, the execution of applications, specifications, oaths and assignments and any other papers by Seller necessary to ensure said protection for Buyer. Upon Buyer's request, Seller shall execute an Assignment of Copyright to Buyer covering any copyrightable deliverable accepted by Buyer hereunder.

D. All documentation connected with the development Services or associated with Developments assigned to Buyer pursuant to Paragraph A above, shall be the exclusive property of Buyer. Upon Buyer's request, Seller shall make all such documentation available to Buyer.

23. SOFTWARE AND DOCUMENTATION LICENSE.

A. DEFINITIONS:

"SOFTWARE" means any software and/or firmware provided with, embedded in or that is necessary, required or normally provided by the Seller for the use and/or operation of Items, in object code form, including bug fixes, updates, enhancements, and new releases developed by Seller during the term of the Agreement.

"DOCUMENTATION" means any and all user documentation and training materials necessary to instruct Buyer in the proper installation, use and operation of the Software or Items which accompany either Software or Items.

B. LICENSE GRANT: Seller grants to Buyer a fully paid, worldwide, transferable, non-exclusive, perpetual license, under all intellectual property rights owned or licensed by Seller and embodied in the Software and/or Documentation to install, copy and use the Software and use and distribute the Documentation internally in the operation of the Software or Items. Buyer may make a reasonable number of archived copies of Software for back-up purposes. Buyer may copy the Documentation or portions thereof, for internal use purposes. Buyer may not reverse engineer the Software.

C. RIGHT TO TRANSFER: Buyer may transfer the Software, Documentation and copies prepared in accordance paragraph 23 B, and all rights associated therewith, as part of the sale, lease or other transfer of all rights in Items for which the Software and Documentation were provided or required, provided that the Buyer retains no copies Software, Documentation and the transferee agrees to the terms and conditions of this Software and Documentation License,

D. OWNERSHIP. Seller shall retain all ownership interest in and to Software and Documentation, and except for the express rights and license set forth herein, Buyer receives no other rights or license, whether by implication, estoppel or otherwise.

E. WARRANTIES: Seller makes the following representations and warranties to Buyer regarding the Software:

(1) The Software will perform in conformance with the Purchase Spec;

(2) The Software does not contain any viruses at the time of delivery to Buyer;

(3) Seller has all necessary rights, title and interest to grant the rights set forth herein to Buyer, free of any claims, liens or conflicting rights in favor of any third party; and

(4) The Software (i) will function without error or interruption related to Date Data from more than one century; (ii) requires all Date Data (whether received from users, systems, applications or other sources) and all date output and results, in any form, to include an indication of century in each instance. As used herein, "Date Data" means any data or input, whether generated within the Item or communicated to it, which includes an indication of or reference to date. The foregoing is in addition to all other representations and warranties of Seller.

24. MERGER, MODIFICATION, WAIVER, REMEDIES AND SEVERABILITY.

A. This Agreement and any Releases issued hereunder contains the entire understanding between Buyer and Seller with respect to the subject matter hereof and merges and supersedes all prior and contemporaneous agreements, dealings and negotiations. No modification, alteration or amendment shall be effective unless made in writing, dated and signed by duly authorized representatives of both parties.

B. No waiver of any breach hereof shall be held to be a waiver of any other or subsequent breach.

C. Buyer's rights and remedies herein are in addition to any other rights and remedies provided by law or in equity.

D. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal, or unenforceable, such determination shall not affect the validity of the remaining provisions unless Buyer determines in its discretion that the court's determination causes this Agreement to fail in any of its essential purposes.

25. ASSIGNMENT.

Neither party may assign or factor any rights in, nor delegate any obligations under this Agreement or any portion thereof, without the written consent of the other party. For purposes of this Section 25, the acquisition, merger, consolidation or change in control of Seller or any assignment by operation of law shall be deemed an assignment that requires Buyer's written consent. Buyer may cancel this Agreement for cause should Seller attempt to make an unauthorized assignment of any right or obligation arising hereunder.

26. APPLICABLE LAW

This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, excluding Delaware's conflicts of law provisions. The provisions of the United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement. The parties agree that the predominance of this Agreement is the sale of goods, and agree that the Delaware version of the Uniform Commercial Code, Article 2, shall be applicable to this Agreement.

27. HEADINGS.

The headings provided in this Agreement are for convenience only and shall not be used in interpreting or construing this Agreement.

28. SPECIFIC PERFORMANCE.

Notwithstanding anything to the contrary contained in this Agreement, the parties agree that the failure of the Seller to deliver an Item or perform a Services in accordance with the terms and conditions contained in this Agreement after the acceptance of a Release would cause irreparable damage to Buyer for which monetary damages would not provide an adequate remedy. Accordingly, it is agreed that, in addition to any other remedy to which Buyer may be entitled, at law or in equity, Buyer shall be entitled to injunctive relief to prevent breaches of the provisions of this Agreement by Seller, and an order of specific performance to compel performance of such obligations in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction.

29. SURVIVAL.

The rights and obligations of the parties as contained in Sections 1, 3, 5, 6, 8, 11, 12, 13, 14, 15, 16, 18, 19, 20, 22, 23, 24, 25, 26, 28, 29 and 30 shall survive the termination or expiration of this Agreement along with any other right or legal obligation of a party created by a term or condition in any Addendum, SOW or Purchase Spec, which term or condition by its nature would survive the termination or expiration of the Agreement.

30. ORDER OF PRECEDENCE.

In the event of a conflict or inconsistency between the Terms and Conditions of this Agreement and its Addenda, Amendments, a Release or Purchase Spec the following order of precedence shall govern:

1. Any supplemental terms or instructions on the face of a Release accepted by Seller.

2. The Terms and Conditions of this Agreement and its Addenda and Amendments.

3. Purchase Spec.

ADDENDUM A

ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO ALL EQUIPMENT MODELS, SPARE PARTS AND SERVICES

PART I. EQUIPMENT.

1. EQUIPMENT PERFORMANCE GUARANTEES

For purposes of this section 1 of Part 1 addendum A only, the term "Availability Requirement" means the lesser of the Equipment availability requirement (or "utilization capability" or "100% uptime" requirement) as set forth in the Purchase Spec per SEMI E10-96. The warranty on a unit of Equipment will be extended one (1) month for each month that such Equipment performs below the Availability Requirement. Seller has the right to request a mutual review process, to review equipment performance data, at which Seller may exclude downtime caused by the Buyer in the availability calculations. This provision for warranty extensions does not apply until three (3) months after Equipment final acceptance. If the Availability Requirement is not met for more than six (6) consecutive months during the warranty period, Buyer may, at Buyer's option: (a) return Equipment for full credit; (b) obtain replacement parts, including major components, at no cost to Buyer; or (c) have the non-complying Equipment replaced with new Equipment within ninety (90) days. Warranty extensions may be reduced by one (1) month for every two (2) months that the Equipment performs better than three percent (3%) above the Availability Requirement. Buyer must be in general compliance with Seller's recommended or a mutually agreed upon preventative maintenance schedule for warranty extensions to be invoked. Extensions will be agreed upon within ninety (90) days after the month in which the Equipment performance dictated the extension.

2. MODIFICATIONS AND UPGRADES

A. Buyer may require and Seller agrees to make any Equipment modifications needed to bring the Equipment into conformance with the Purchase Spec or, in the case of performance-based pricing (if such a pricing structure has been agreed to) to meet the Expected Improvement Rate (EIR).

B. Such modifications will be performed at no cost to Buyer. Prices for upgrades and modifications that exceed the Purchase Spec (current at time of installation) will be negotiated at the time Buyer grants authorization.

C. Seller offers to add Items currently offered or developed over the term of the Agreement, which Buyer does not currently purchase, to this Agreement, should Buyer choose to purchase such Items.

3. CHANGE CONTROL

A. Buyer may require and Seller agrees to make any Equipment modifications needed to bring the Equipment into conformance with the Purchase Spec or, in the case of performance-based pricing (if such a pricing structure has been agreed to) to meet the Expected Improvement Rate (EIR). Such modifications will be performed at no cost to Buyer. Prices for upgrades and modifications that exceed the Purchase Spec (current at time of installation) will be negotiated at the time Buyer grants authorization. If the parties are unable to agreed a negotiated agree.

i. Seller shall not make changes to Items without prior written approval from Buyer.

ii. Changes include all hardware or software assembly modifications that affect the manufacturing environment, impact/require recipe alteration to match outputs, impact equipment installations/facilities hookup, affect the ergonomic or safety characteristics of the Equipment, and/or affect existing Equipment software. They may also include modifying Equipment, modules, software, subassemblies, parts associated with the manufacturing environment or process chemicals/consumables.

iii. Seller must request approval for such changes by notifying Buyer of the proposed change by sending an Equipment change request notice to Buyer a minimum of * * * (* * *) days prior to any proposed change. This

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notice shall include the specific change requested, reason for the change, specific change details, Items affected, and the impact to Equipment in the field.

iv. Seller shall provide rev-level control and traceability systems for Items supplied to Buyer hereunder.

v. In the case of Equipment on order but not yet shipped, formal modification of the Release is required for any change to the model, configuration, variance to the price, performance, acceptance specifications, or delivery schedule. No Equipment will be accepted or paid for that is in variance to what is shown on the Release unless formally authorized by a written change order.

4. TRAINING & DOCUMENTATION

A. The drawings, documentation, and training materials must conform to the Intel specification 20-254 "DOCUMENTATION AND TRAINING REQUIREMENTS " defined in Addendum E. Training must be developed using either Performance-Based Equipment Training (PBET) or Criterion-Referenced Instruction (CRI) methodology and delivered by PBET certified instructors.

B. Buyer may purchase and Seller will make available training and documentation as defined in ADDENDUM G.

C. Buyer will review all supplied training and documentation and has authority to accept or reject it. Buyer will not give final approval until Seller has delivered all documentation referenced 20-254 "DOCUMENTATION AND TRAINING REQUIREMENTS " defined in Addendum E. Final equipment payment will not be made until the requirements of this specification have been satisfactorily completed.

5. SAFETY REVIEW AND NOTIFICATION

A. Seller warrants that the Equipment complies with SEMI S2 Safety Guidelines for Semiconductor Manufacturing Equipment OR be listed by a Nationally Recognized Testing Laboratory (NRTL) using the applicable standards AND comply with SEMI S8 Safety Guideline for Ergonomics/Human Factors Engineering of Semiconductor Manufacturing Equipment. Seller shall document conformance through an agreed upon third party at Seller's expense. Documentation of compliance listed in the Purchase Spec shall be provided to the Buyer three months prior to the date the Equipment is being shipped. Modifications necessary to bring the Equipment into compliance will be provided by Seller at no charge. Seller must have management and control systems for the effective management of product safety compliance.

B. Seller will notify Buyer's corporate purchasing representative, corporate technical representative, and corporate environmental health & safety representative immediately upon discovery of any actual or potential environmental, health or safety hazard with the Equipment, upon discovery. Determination of the scope and any containment and corrective actions required to cure such a hazard will be performed by Seller at no cost to Buyer. Should Seller not be able to cure, Seller shall provide a full refund of the Equipment purchase price to Buyer.

6. EQUIPMENT RELIABILITY

A. Reliability Demonstration

Seller agrees to use "Reliability Qualification Test" (RQT) plans (MIL-HDBK-781) to demonstrate, with 80% confidence, that the Equipment's reliability meets or exceeds the performance specification for reliability, based on testing of production systems and/or field data. This will be used to substantiate the claims of Equipment performance for each design. Testing will be performed by Seller on as many machines as required to establish the required confidence. If subsystems are tested individually, the subsystem goals must be apportioned from the systems goal.

B. Failure Modes and Effects Analysis

Seller agrees it will complete Failure Modes and Effects Analysis (FMEA) studies on at least three of the most critical subsystems and/or those systems that contain new design concepts.

C. Fault Tree Analysis

At least annually, Seller will perform Fault Tree Analysis (FTA) on no fewer than the top three known failure modes associated with each type of Equipment. This will document the largest limiters to the Equipment's reliability, and will be the foundation for developing a comprehensive plan for reducing or eliminating each of the failure modes.

D. Continuous Improvement/Upgrades

With all continuous improvement projects and upgrade programs, Seller will:

(i) Perform FTA's on the existing problem or issue to verify that the most important root causes are understood and corrective actions are generated.

(ii) Model and provide rationale for the design goals for the proposed solution.

(iii) Perform FMEA's on the solution design.

(iv) Execute an RQT to objectively verify the reliability of the solution.

7. BUYER SPECIFIC PROCESS RECIPE DEVELOPMENT.

If during the term of the Agreement, Buyer is required to develop Buyer specific process recipes ("Recipes") for Items at Seller's site, the parties agree as follows:

A. Seller shall designate a secured area at Seller's site for the use of Buyer's employees for the purpose of such process development work. During this development, Seller's employees will have no access to the area and at the conclusion of the development work, Buyer may delete any and all memory pertaining to the Recipes from the Items.

B. Seller acknowledges and agrees that all Recipes are the sole and exclusive property of Buyer and any information relating to Recipes disclosed to Seller by Buyer shall be deemed to be the Confidential Information of the Buyer and governed by the terms of the CNDA referenced on the signature page of this Agreement.

C. Seller may use the Confidential Information solely in conjunction with Items and agrees not disclose the Confidential Information to any third parties, including any affiliates, subsidiaries, parent or sister companies, without the prior written approval of Buyer.

D. Seller acknowledges and agrees that no license under any Buyer patent, copyright, trade secret or other intellectual property right is granted to or conferred upon Seller by the disclosure of any Confidential Information by Buyer to Seller as contemplated hereunder, either expressly, by implication, inducement, estoppel or otherwise, and that any license under such intellectual property rights must be express and in writing.

PART 2. SPARE PARTS.

1. PARTS DEFINITIONS

A. "LEAD-TIME" means the number of calendar days from the date a Release is issued for an Item to the date the Item is to be shipped by the Seller.

B. "AVERAGE LEAD TIME" means the average of Lead Times for all Items delivered to Buyer within the Buyer's calendar month.

2. SPARE PARTS DELIVERY

A. For emergency (e.g. down Equipment) Spare Parts, Seller will accept Releases eight (8) hours per day, Monday through Friday, fifty two (52) weeks per year and will ship such emergency Spare Part Releases within four (4) hours, and by the most expedient method possible. At Buyer's option, Seller will arrange shipment of such Spare Part or Buyer will arrange for pickup.

B. For non-emergencies, Seller guarantees spare parts will be shipped to Buyer's facilities after receipt of order no later than the following schedule (exclusive of transit time):

TYPE OF PART	LEAD TIME YEARS 1-2	LEAD TIME YEARS 3
CONSUMABLES	* * *	* * *
NON-CONSUMABLES	* * *	* * *
CONSIGNMENT REPLENISHMENT	* * *	* * *
REPAIRS	* * *	* * *
REPAIR EXCHANGE POOLS	* * *	* * *

Seller shall report on a quarterly basis to Buyer's purchasing representatives Lead Time performance to commitment for parts shipped.

C. In any month (as defined by Buyer's work week calendar), if the OTD at any Buyer site falls below 98% ("Non-Conforming Month"), all spare parts ordered by that site during the calendar month measured will be given an additional discount (beyond that in Section 3.3 a.) according to the schedule below:

OTD	ADDITIONAL DISCOUNT
85% -- 97.9%	* * *%
75% -- 84.9%	* * *%
60% - 74.9%	* * *%
less than 60%	* * *%

These additional discounts per this section, shall be applied via a debit memo with Buyer's Accounts Payable (AP) department. Buyer's AP department shall begin applying the debit amount on the next Seller invoice received. Regardless of any discount, Seller shall ship any past due spare part within twenty-four (24) hours of availability.

3. SPARE PARTS TERMS

A. Spare parts will be discounted twenty percent (20%) off of the Seller's published price list, or 20% off of lowest price charged by Seller to other customers, whichever is lower, as referenced in Addendum "Parts".

B. Within thirty (30) days after the Effective Date, Seller shall provide Buyer with a complete list of spare parts written in Excel spreadsheet format, which will be included in Addendum "Parts". The spare parts list will include Seller's

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part number, manufacturer's part number and name (if different than Seller's part number), Lead-time per schedule in section 3.2b, unit price (repair and/or new), part description, discounted price to Buyer, and estimated consumption per year per machine and/or application. Seller shall also identify in the list those spare parts that are covered and not covered under Equipment warranties, or extended warranties, and are consumable or repairable. This list will also cross reference Intel part numbers, where applicable. Seller agrees to discount spare parts pricing by an additional 20% for non-compliance with 3.3b thirty days after the Effective Date.

C. Seller and Buyer shall jointly develop and manage a copy exactly spare parts list in order to stock the optimal level of spare parts at each Buyer site.

D. Consumable and Non-Consumable parts provided under warranty and/or service contracts will be provided by Seller at no cost to Buyer. Seller will pay all shipping costs including duty and insurance for warranty replacement parts. The name of a carrier and account number will be provided by Seller for warranty returns.

E. Seller will notify Buyer in writing 30 days prior to obsolescence of any part number or part revision and will make that part available to the Buyer for a minimum of 180 days after the notice. Buyer may return obsolete parts within 180 days after written notification of part revision or obsolescence for 100% of the original purchase value.

F. Buyer may return any parts up to 24 months after receipt of part for a full refund or credit of the original purchase value against any outstanding or future Seller invoices.

G. Spare parts will be supplied by Seller for at least seven years beyond the last Equipment purchase or end of product manufacturing, whichever is later. If Seller can no longer supply parts beyond seven years, Seller will furnish drawings and specifications for the parts with all the rights required to have such parts made by a second source supplier without compensation of any nature to Seller.

H. Parts delivered to Buyer must be pre-cleaned and bagged in accordance with Buyer's current Purchase Spec requirements, if any.

I. Seller will have a tracking system to collect failure analysis data on high usage parts, and will make such data available upon request.

J. Each Buyer site will have the option to stock consignment spares per terms referenced in Spare Parts Consigned Inventory Program Addendum I.

K. Cost of refurbished parts will not exceed 50% of new part cost without written notice from Seller and approval from Buyer.

4. SPARE PARTS COST CONTROL

A. Adjustments to fixed costs of parts (either consumable or non-consumable) will be made under the following conditions:

(i) If Buyer and Seller agree to implement cost reduction programs, such as spare parts reliability improvements, alternate sourcing, value engineering, or re-specification of quality requirements, the fixed costs of parts shall be adjusted by the agreed upon amount of cost reduction due to such programs.

PART 3. SERVICES.

1. APPLICABILITY

The terms and conditions in this section apply to all Service work (installation, warranty, service call, extended service contract, etc.) performed by Seller at Buyer's facilities. In the case of extended service contracts, a separate scope of work for each service contract will be negotiated and will become a supplement to this Agreement.

2. PRICING

A. Prices set forth in Addendum G and specific scopes of work (for extended service contracts) shall remain firm for the duration of this Agreement except as provided below.

B. Seller will decrease rates when they are determined not to be competitive with geographical labor rates.

C. If Seller decreases prices for Services furnished hereunder, the prices of any and all remaining Services under this Agreement shall be decreased.

3. ALTERNATE USE OF SCOPE OF WORK PERSONNEL

If, after receiving Buyer's approval, Seller utilizes personnel assigned under any factory-specific Scope of Work (SOW) to perform installation, warranty, or other work not included in such factory-specific SOW, Seller will credit to Buyer the value of all such work. The amount of any such installation, warranty, or other credits will be mutually agreed in advance. Buyer shall have the right to accept or reject any Seller requests to utilize personnel assigned under a factory-specific SOW to do any such work.

4. EQUIPMENT PRE-DELIVERY AND START UP

A. Prior to Equipment installation, Seller shall participate in Buyer's installation design reviews, identify any flaws in the designs that would impair the successful installation of Seller's Equipment, and shall approve final design revisions.

B. After Buyer has completed Equipment Facilitation, Seller shall work the required amount of hours in order to ensure Equipment is installed and started up to meet Purchase Specification acceptance criteria and production ramp requirements. At a minimum, this shall include final connection, pre-safety certification hookup work, mechanical, electrical, software functionality testing, chemical functionality testing, acceptance to Purchase Spec criteria, and process module qualification (final acceptance). Buyer and Seller shall co-develop plans, Gantt charts or other tools that are necessary to ensure Equipment is ready for each phase of Buyer's production ramp.

5. PROCESS MODULE QUALIFICATION

A. Seller shall participate as needed in process and module qualification and in integrating the Equipment into the manufacturing process.

B. Seller shall use mutually agreed procedures, practices and methodology for ensuring that the Equipment being installed matches the performance of similar Equipment installed in Buyer's facility.

C. Equipment matching shall include, but is not limited to, process matching, gauge matching, statistical and Equipment to Equipment matching in the same facility or in any of Buyer's facilities, subject to any limitation defined in the purchase Spec.

D. Buyer shall provide Seller with training to assist in Equipment, process and module characterization procedures.

E. Seller shall assist Buyer in streamlining the process within critical parameter requirements to achieve greater machine effectiveness and higher output volume.

6. FIELD SERVICE SUPPORT

A. If equipment does not meet performance requirements and specifications as detailed in the Purchase Specification, Seller shall provide during the warranty period service engineer on Buyer's site during the first year at each of the new Buyers site installations. At no additional cost, should chronic problems persist, additional field service engineers will be dedicated to provide * * * on-site coverage, until Equipment consistently meets Purchase Specifications. Sites shall have the option of extending on-site coverage at a rate in accordance with Addendum "Service," provided Purchase Specifications have been achieved

B. Seller will provide worldwide field service support to ensure that the equipment meets or exceeds the performance specifications. Seller will (i) monitor and report data on performance to plan (by work week) at the required service contract, warranty and management reviews, (ii) actively participate in continuous improvement forums, such as, users groups, (iii) continuously improve their process capability, application knowledge, and support, (iv) train and certify their field service personnel so that they meet the requirements identified in this agreement, and (v) develop the appropriate escalation procedures for problem resolution and Equipment down situations.

7. CONTINUOUS IMPROVEMENT

A. After the first Equipment is installed at a site, Buyer may require Seller to participate in a joint program to baseline and improve the performance of Seller's Equipment in Buyer's production applications. At the end of six months, Buyer and Seller shall review this baseline performance and establish long range continuous improvement goals. In no case shall baseline Equipment performance be less than parameters defined in the Purchase Specifications. Seller commits to a continuously improving Equipment Cost of Ownership (CoO).

B. Buyer shall administer and Seller support the use of performance report cards, continuous improvement programs such as Supplier Continuous Quality Improvement (SCQI), Sematech Standard Quality Assessment (SSQA), Supply Chain Risk Assessment (SCRA), or other quality improvement programs, along with management review meetings to monitor Seller's performance towards continuous improvement goals.

C. Seller shall work with Buyer to collect and analyze data through Buyer's automated data collection system and/or other data available to Seller and recommend corrections or improvements to Equipment.

8. ESCALATION

A. Seller will provide telephone Technical Support on a * * * hours per day, * * * days per week, * * * per year with a * * * pager telephone response basis. Seller will also provide an escalation list with the phone numbers of at least three senior technical personnel. If a problem occurs with a piece of Seller's Equipment, Buyer shall immediately call Seller's Technical Support (or escalation list, if necessary).

B. If a problem with Equipment cannot be resolved by Buyer's personnel within * * * of such a call, Seller will have service personnel on Buyer's site within * * * or within * * * if an extended service contract is in place.

C. If the problem is still unresolved * * * after the initial call, Seller shall dispatch at least one additional senior (Level III) field service engineer to the site.

D. If the problem is still unresolved * * * after the initial call, Seller Management updates Buyer with repair status every * * * until equipment is returned to production. The previously agreed plan of action is reviewed, updated and modified as required. If the problem is still unresolved, the Seller shall dispatch a team of Process, Hardware, and Software experts from Seller Engineering/Design group. Such persons shall travel by the most expeditious route at Seller's expense.

E. A post mortem report is required for all equipment down over * * *. Seller's Field Service Manager is responsible for scheduling a post mortem meeting with the Buyer after the "Escalated" problem is resolved. The Seller report will include, but is not limited to, documenting the root cause , plan of action, any future preventive actions, a summary of the daily activities noting parts used, their effect on the problem, and any change to the plan of action.

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F. These levels of escalation will be provided at no cost during the warranty period.

9. TECHNICAL EXPERTISE

A. In order to be considered a Level III Field Service Engineer (FSE), the individual must meet all of the following requirements:

i. At least six months experience working with the model(s) of equipment being supported under this Agreement. Experience levels short of six months will result in the Seller providing the individual at no cost to Buyer. Seller will work with Buyer's training and documentation representative to develop and produce a training plan, which will raise this individual to Level III status.

ii. The ability to demonstrate proficiency in all of the tasks listed in applicable factory-specific service Scopes of Work.

iii. Any other factory-specific requirements as agreed to in writing.

iv. Seller personnel used to install new equipment or relocate existing equipment must be Skill Certified Level III.

v. ON SITE and OFF SITE Field Service Engineers must be Skill Certified LEVEL III, as per Curriculum Section Addendum J.

vi. ON SITE FIELD SERVICE ENGINEER (OSFSE) - The OSFSE will be responsible for the management and supervision of Seller's team of Field Service Engineer (FSE's) and other personnel utilized in the performance of this Agreement. The OSFSE will be a primary communication link from Buyer's factory to Seller, and will participate in Buyer's various equipment improvement teams, and management reviews as requested. The OSFSE must be a certified Level III (as per Section Addendum J of this Agreement) and will deliver on-the-job training and formal training per Specification 20-254 section 4.7 to maintain and improve the skills of the FSE's and Buyer's factory personnel assigned to Seller's equipment. The OSFSE must report equipment performance MTBA, MTBF, Utilization, Outs per system, Spares usage, and PM PAS, weekly to responsible Process/Equipment Engineer, Site Supplier Management Team and Buyer, as well as performance against schedule (PAS) for any agreed to service objectives or issues and plans. The OSFSE shall be responsible for resolving any Seller personnel-related discipline issues. However, Buyer reserves the right to request the immediate removal of any Seller personnel who are in breach of any laws, regulations, or provisions of this Agreement.

vii. OFF SITE FIELD SERVICE ENGINEER (OFSFSE) - OFSFSE must be Level III certified as per Section Addendum J of this agreement. FSE's must maintain and repair the equipment listed with in this contract or factory specific Scope of Work. The FSE's on shift will be coordinated through Buyer's Shift Technical Supervisor or Manager

B. Upon request, Seller shall furnish evidence of any and all On Site Field Service Engineer (OSFSE) or Off Site Field Service Engineer (OFSFSE) credentials with respect to being a Level III, as defined in this section. Buyer shall have the right to audit any such evidence, including, but not limited to, the right to interview and any of Seller's personnel designated for the performance of applicable factory-specific service Scope of Work or equipment associated as noted in this agreement.

C. Buyer must maintain all training and certification records for all Field Service Engineers. As part of Buyer's ISO 9002 certification process, Seller may be requested to provide information regarding Buyer in-house training or current calibration records for all applicable hand tools, and current listing of all manuals, including revision number.

D. If any of Seller's personnel assigned to any factory-specific service Scope of Work, upon commencement of work at Buyer's factory, are not Level III as defined in this Section, Buyer may choose from one of the remedies listed below. Such remedies will apply only to the individual personnel in question and will be in effect only until such time as Seller can prove that such personnel have met the requirements to be "Level III."

i. The individual is removed from Buyer's factory and replaced by a "Level III." Or,

ii. The individual shall be paid-for at 50% of the rate established in this Agreement and an agreed Seller-developed training plan will be established for that individual. Or,

iii. The individual may remain but shall be supplemented at no charge by an additional Seller personnel who is Level III certified Or,

iv. Buyer may cancel the portion of the applicable factory-specific service Scope of Work equal to the number of individuals who are not Level III, with no cancellation liability.

v. Withhold 20% of final equipment payment, until Field Service Engineer is Level III certified.

10. OTHER SELLER RESPONSIBILITIES

A. Seller must provide both Preventive Maintenance (PM) and Corrective Maintenance (CM) support to mutually agreed procedures, which are defined in Buyer's PM Specifications. Should a situation arise where multiple procedures exist, Buyer's procedures will be executed by default.

B. FSE's must participate and contribute to Buyer factory support teams.

C. FSE must be Performance Base Equipment Training (PBET) certified.

D. FSE will provide training described in 20-254 Training Requirements to support Buyer's maintenance capability.

E. Modifications and/or procedural changes recommended by Seller will be implemented only as defined by Buyer's Change Control Procedures.

F. Seller must work with Buyer to develop, test, and proliferate Continuous Improvement Projects (CIP) needed to meet or exceed the Corporate Purchase Agreement and Corporate Purchase Specification requirements.

G. Seller will provide documented and demonstrated Response Flow Checklists (RFCs) for equipment troubleshooting and repair of the common failures from the reliability growth testing.

H. Seller will provide documented and demonstrated equipment maintenance and repair procedures. These Best Known Method (BKM) or Copy Exactly (CE) established procedures must be designed or intended to minimize equipment downtime and parts consumption. The Buyer, using Buyer validation approval systems, must approve all Seller BKM or CE procedures.

I. Seller must adhere to all Buyer safety and ergonomic requirements identify tool-related safety and ergonomic issues (both actual and potential) and work on solutions to resolve identified issues.

J. Seller is responsible for FSE training, tracking and competency in all Buyers safety requirements, as per Section Addendum J. This is inclusive of any and all work performed by the Sellers FSE, at the Buyers sites.

K. Seller must help develop and execute activities to reduce scrap and unit losses and unscheduled downtime incidents.

L. Seller must provide an effective communication link between Buyer and Seller's factory.

M. Seller shall generate Predictive Maintenance schedules and metrics to measure their impact as applicable.

N. Should Seller have non-English speaking FSE's on site, Seller shall provide adequate bi-lingual support for translation.

O. As team member, Seller personnel shall function as proficient maintenance technicians, to comply with Buyers in-house procedures, while at the same time utilizing Seller knowledge to maintain equipment and offering suggestions on improved methodology for achievement of cost effective output increases.

P. Seller shall provide Buyer with all Equipment-specific tools (one set per site).

11. BUYER RESPONSIBILITIES

A. Buyer shall provide work area for Seller's contracted on site FSE employees in the maintenance shop Additional Office space shall be determined by local factory conditions.

B. Buyer shall provide access to Equipment for preventative maintenance or repair.

C. Buyer shall provide factory contacts to define priorities and assist in resolving disputes and disciplinary issues.

D. Buyer shall provide access to facility and Equipment documentation.

E. Buyer shall provide a schedule of holidays and shutdowns.

ADDENDUM B

ALCOHOL/DRUG-FREE WORKPLACE DIRECTIVE

Intel is committed to fulfilling its legal and ethical responsibility to maintain a safe and efficient working environment on Intel premises. Supplier's drug and alcohol program shall be at least as stringent as Intel's. This means that at a minimum, Supplier shall ensure that all Contractors assigned to Intel premises shall pass a screen test (urine analysis) for drugs per the schedule outlined below within seventy-two (72) hours after the Supplier has identified the Contractor to be assigned to Intel. For purposes of this Addendum B, the term "Contractor" refers to Supplier's employees or subcontractors providing Services to Buyer under the Agreement. Any Contractor who does not successfully pass the screen test within such seventy two (72) hour period will be barred access to all Intel facilities. In addition, when Intel has a reasonable suspicion that a Contractor is under the influence of alcohol or drugs in violation of Intel's standards, Supplier shall, at Intel's request, either perform immediate drug and alcohol testing of any Contractor so assigned, or shall remove the Contractor from the Intel premises.

If a Contractor tests positive, that Contractor will be denied access to Intel premises and Intel will require return of that Contractor's security badge immediately. In addition, a corporate-wide "no-access" notation will be placed in the Intel corporate security database and no Application for Waiver will be considered by Intel.

Supplier will be responsible for all testing and for maintaining of records for its Contractors. Supplier will also be responsible for prompt notification and removal of any Contractor found to be in violation of Buyer's Alcohol and Drug-Free Workplace Directive. This includes retrieving the Contractor's badge (including duplicate picture badges, Fab, AT, or other specialty access or permit badges and other property movement badges) and other Intel property, and depositing same at the nearest Intel security post.

Also, Intel may, at its option, exercise its right to audit Supplier's personnel records related to compliance with Intel's Drug and Alcohol Directive to ensure that federally certified laboratories are being used and appropriate procedures are adhered to.

DRUGS	SCREENING METHOD CUTOFF (IMMUNOASSAY)	CONFIRMATION METHOD CUTOFF (GC/MS)
Amphetamines	1000 ng/ml	500 ng/ml
Cannabinoids	50 ng/ml	15 ng/ml
Cocaine	300 ng/ml	150 ng/ml
Opiates	300 ng/ml	300 ng/ml
Phencyclidine	25 ng/ml	25 ng/ml

ADDENDUM C

PROTECTION OF INTEL'S ASSETS

Supplier agrees to safeguard Intel's classified (i.e., Intel Confidential, Intel Secret, Intel Restricted Secret and Intel Top Secret) and proprietary information set out in the body of the parties' Agreement and relevant Unescorted Access Application forms for badges. Supplier also agrees to use and apply Intel's information protection methods stated below in this Addendum in the performance of Supplier's work. Supplier agrees that this performance standard applies to all Intel classified and proprietary information, regardless of the medium (Intel's or Supplier's) in or on which it is retained or communicated and to software that is licensed by Intel for its internal use.

Supplier is not automatically granted access to Intel classified and proprietary information, networks or software. However, authorization to use or access Intel information, software, or telecommunications may be granted by the Intel information owner if access is necessary and directly related to Supplier's scope of work or duties. Unless specifically authorized, Supplier may not use or access Intel classified or proprietary information that may be happened upon or inadvertently discovered while performing work under this Agreement. Neither may a Supplier or Supplier's employee control an Intranet web site at Intel.

Supplier shall not modify Intel classified or proprietary information, software, hardware, or telecommunications without the explicit permission of the Intel employee responsible for the resource, with the exception of contract-related requirements or resources that allow for individual customization (e.g., Microsoft Windows user features). The Supplier's employees, agents, or subcontractors may not disclose Intel classified or proprietary information to their co-workers, except for disclosure to those similarly bound to protect Intel's intellectual property with a need to know to fulfill this Agreement.

INTEL INFORMATION PROTECTION METHODS

This section outlines the Intel's minimum requirements for protection methods for all Intel classified or proprietary information and software that the Supplier's personnel may come in contact with. Intel recognizes that the correct and proper protection of its information rests with its employees and Suppliers who have been authorized access. FAILURE TO COMPLY WITH THESE REQUIREMENTS WILL PROVIDE GROUNDS FOR IMMEDIATE TERMINATION OF THIS AGREEMENT BY INTEL. Periodic updates to these protection methods can be found on Intel's internal web at:

URL HTTP://WWW-INFOSEC.FM.INTEL.COM/POLICIES/

Upon reaching the above web site, refer to Policies for Employees and Procedures for Employees. These protection methods may also be obtained through your purchasing representative.

For further information or questions, contact your Intel management sponsor.

ADDENDUM D
EQUIPMENT SPECIFIC TERMS AND CONDITIONS

DESCRIPTION	MODEL #	SPEC #	VOLUME	PRICE	LEADTIME

ADDENDUM E

TRAINING AND DOCUMENTATION REQUIREMENTS

(a) The governing specification 20-254 revision XX can be found at http://tmgt.intel.com/ttetools/index.htm in the table "BKM Name" entitled "20-254 Spec".

ADDENDUM F

SPARE PARTS PRICE LIST

List the top 80% (by dollar volume) of spare parts to be used over the life of the Equipment as Kit Level 1. Remaining spares should be listed as Kit Level 2.

1. NON-CONSUMABLE PARTS LIST

Description	Intel Part #	Supplier Part #	Price	Leadtime (days)	Repair cost (NA if not repairable	Repair Leadtime	Kit Level	OEM Part #

2. CONSUMABLE PARTS LIST

Description	Intel Part #	Supplier Part #	Price	Leadtime (days)	Annual consumption	Kit Level	OEM Part #

3. SPARES KIT PRICE

Kit Level Description	Intel Part #	Supplier Part #	Leadtime Price

ADDENDUM G
PRICING FOR SERVICES AND TRAINING

1. SERVICES

Service level	US	Ireland	Malaysia	Philippines	Costa Rica
24x7 w 4hr response					
8x5 w 4hr response					
Onsite FSE (40 hours/wk)					
Hourly Rate FSE					
Warranty Extension (24x7 w 4 hour response and parts repair)					
Onsite Applications Engineer (40hrs/wk)					
Hourly Rate Applications Engineer					

TRAVEL/RELATED EXPENSES: Where applicable, no reimbursement for travel and travel-related expenses will be made by Intel for such expenses in excess of Intel's Travel Service guidelines. Travel arrangements and/or guidelines will be furnished to Supplier upon request.

2. TRAINING

(a) Buyer's training and documentation representative may audit each class once per year as described in 20-254 at no cost.

(b) Seller will provide one (1) pilot delivery for each training class described in 20-254 to the Buyer for up to six (6) students at no cost.

(c) Seller will provide a Training Tool during all training sessions that will reside in North America, or Europe, or East Asia.

(d) Seller will deliver On-Buyer site classes to meet factory shift requirements 7 days per week.

(e) One (1) day equals eight (8) hours of instruction time.

(f) Seller is responsible for all travel, lodging expenses, and per diem for Seller's instructor.

(g) Course cancellation policy

- Buyer has the right to cancel any confirmed class up to "5" business days prior to class start date without penalty. If the Buyer cancels the confirmed class within "5" days prior to class start date, the Buyer will pay actual documented incurred cost.

- Seller has the right to cancel any confirmed class up to "10" business days prior to class start date without penalty. If the Seller cancels the confirmed class within "10" business days or misses the confirmed class date, the Seller will deliver the next class at no cost.

(h) A/T Course Training Cost:

- On Buyer's site cost per class (containing up to six (6) students) equals $500.00 multiplied by the number of course days.

- On Seller's site cost per class (containing up to six (6) students) equals $500.00 multiplied by the number of course days.

ADDENDUM H

THIRD PARTY TECHNOLOGY ESCROW

A. Upon the request of Buyer, Seller will, at its sole cost and expense, deposit copies in electronic format of any and all engineering drawings, proprietary information, technical documentation, know how, specifications and the like, as may be required by Buyer for the support, operation, maintenance and manufactured of all Items by Buyer, or a third party contractor of Buyer, ("Deposit") with a third party escrow holder ("Escrow Holder") approved in advance by Buyer. As a condition to approval by Buyer, the Escrow Holder must be generally engaged in the business of acting as an Intellectual property escrow holder and if required by law, licensed to act in such capacity. The escrow agreement for the Deposit shall name Buyer as beneficiary and shall provide for the release of the Deposit to Buyer upon the occurrence of any of the following release conditions ("Release Conditions"):

(1) Any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding is commenced by or against Seller, and if such case or proceeding is not commenced by Seller, it is not dismissed within sixty (60) days from the filing thereof; or

(2) Seller fails to continue to do business in the ordinary course, as such business relates to the goods and services to be provided under this Agreement; or

(3) Seller becomes insolvent or generally fails to pay, or admits in writing its inability to pay, its debts as they become due; or

(4) Seller applies for or consents to the appointment of a trustee, receiver or other custodian for Seller, or makes a general assignment for the benefit of its creditors; or

(5) Seller is unable or unwilling to perform its obligations under the Agreement due to a condition set forth above for a period of sixty (60) days or more; or

(6) Seller breaches any of its service obligations under the Agreement including, but not limited to, maintenance, repair, continuous improvement, upgrades and modifications of Items and does not cure such breach within sixty (60) days after receiving written notice thereof by Buyer.

B. Upon the release of the Deposit to Buyer, Seller grants to Buyer a non-exclusive, world-wide, irrevocable, fully paid up, royalty-free, perpetual license under Seller's Intellectual Property (including trade secrets, copyrights and patents, if any) embodied in the Deposit to: (i) use, reproduce, display, perform, make derivative works of, incorporate in Items and distribute internally but solely in conjunction with the maintenance, repair, improvement, upgrade and modification of Items by Buyer, or a third party contractor of Buyer, and (ii) to make, have made, use, sell, offer to sell or import Items which employ or incorporate Seller's Intellectual Property for use internally by Buyer. Buyer shall be required to maintain the confidentiality of the released materials while in its possession. Upon written request of Seller, at such time as Seller shall have remedied the Release Conditions under which the Deposit was released to Buyer, Buyer shall promptly return the Deposit to the Escrow Holder. At such time, the license granted above shall terminate, except for any license granted to a third party by Buyer for the unexpired portion of any existing agreement with the third party or any use or right exercised by Buyer during the period that Buyer was in possession of the Deposit.

ADDENDUM I

SPARE PARTS CONSIGNED INVENTORY PROGRAM

1. SCOPE

1.1. Purpose: The purpose of the Consignment Program is to give each of Buyer's Sites ("Site or Sites") the option to maintain a Consignment Inventory of Non-consumable Spare Parts ("Parts"), both repairable and non-repairable, in order to improve Parts support and reduce response time for replacement of Parts.

1.2. Election to Participate: If a Site elects to participate in the Consignment Program, it shall provide written notice to Seller of the Site's election to participate. Such notice shall reference the Agreement and this Amendment.

2. CONSIGNED INVENTORY

2.1. For purposes of this Addendum, "Consigned Inventory" shall mean inventory owned by Seller and delivered to a Site for Buyer's specific use.

2.2. The parties shall agree in writing to the Parts that will be included in the Consigned Inventory and appropriate stocking levels.

2.3. Title to all Parts in the Consignment Inventory is and shall remain in Seller until the Parts are issued from the Consignment Inventory to the Buyer.

3. METHODOLOGY

3.1. CONSIGNED INVENTORY PREREQUISITE

3.1.1. Consigned Inventory will be stocked at the Site.

3.1.2. Buyer shall provide a perpetual inventory system for record keeping and internal control of the Consigned Inventory, offering a continuous check and control over inventories as well as immediate data concerning inventory position.

3.1.3. At Buyer's discretion, all preventative maintenance (PM) kits/Parts shall be included in Consigned Inventory.

3.1.4. All Parts in the Consigned Inventory will be set-up with auto-order status.

3.2. PROCEDURE FOR ADDING PARTS TO CONSIGNED INVENTORY

3.2.1. In order to add new Parts to Consigned Inventory and Buyer's inventory system, or to change descriptions and/or Part numbers of Parts in the Consigned Inventory already existing in Buyer's inventory system, changes must be agreed in writing by the parties.

3.2.2. Seller will coordinate with Buyer to create an inventory stores location for newly added Parts with excessive space requirements and for any consigned Parts that require special handling characteristics, i.e. items to remain in original shipping containers, chemicals, special unit of measure items, etc.

3.2.3. The Buyer's stocking and perpetual inventory system will be the definitive system of record.

3.2.4. Consigned Inventory will be coded as "consignment" within the Buyer's inventory system.

3.3. SHIPMENT PURCHASE ORDER AND INVOICE PROCESS

3.3.1. Seller will ship Consigned Inventory to the address specified on the Purchase Order in packages clearly marked with Purchase Order number, Purchase Order line item number and quantity shipped.

3.3.2. As Consigned Inventory is consumed by Buyer, a replenishment Purchase Order will be generated. Seller will ship replenishment consigned Parts to Buyer against that replenishment Purchase Order. Seller will invoice for consumed consigned Parts against the replenishment Purchase Order.

3.3.3. Seller will mail invoices for consumed consigned Parts to Buyer's accounts payable.

3.3.4. Seller will ship Consigned Inventory replenishment Parts according to Purchase Order specifications. Seller will pay all shipping, freight, customs, and related charges ("shipping charges") associated with delivering the Parts to the Site. Buyer will pay all shipping charges associated with returning the Parts to Seller. Seller will pay all shipping charges associated with returning any excess Parts that Seller requested or otherwise caused in an excess of target stocking levels.

3.3.5. Door to Door shipments will be used in the case of machine downs. Seller will notify Buyer with expedited shipping details.

3.3.6. Incoming Consigned Inventory shall be received and shelved into inventory by Buyer's stockroom.

3.3.7. Seller must be notified immediately when Buyer discovers any material receipt discrepancies on a shipment from Seller

3.3.8. Lead-time and OTD requirements as agreed in the Agreement shall apply in all respects to Part replenishment orders.

3.4. ISSUE REPORTS AND TRACKING PROCESS

3.4.1. Buyer shall issue a Consigned Inventory usage report upon request from Seller but not more than once per week or as agreed in writing by the parties.

3.4.1.1. The usage report will include Seller Part number, description, date issued, quantity consumed (by part number), quantity on-hand and outstanding Purchase Orders.

3.5. RETURNS TO STOCK

3.5.1. Returns to stock of Parts deemed in like new condition shall be separated from Consigned Inventory and will continue to be Buyer owned. Buyer owned inventory of Parts will be consumed prior to issuing Consigned Inventory.

3.5.1.1. Buyer's inventory management system does not permit "any" returns to Consigned Inventory.

3.5.2. It is the responsibility of the Buyer and Seller to research any specific discrepancies with returns to stock.

3.5.3. It is the responsibility of the Buyer to inform all stores personnel of proper procedures in the Consigned Inventory program and intervene as issues arise.

3.6. AUDITS AND CYCLE COUNTS

3.6.1. Buyer and Seller will jointly conduct an initial audit to verify receipt of the Parts and prepare an accurate list of the Parts which comprise the initial Consignment Inventory. If the initial audit reveals discrepancies between the inventory received and the target stocking level, such discrepancies will be resolved promptly.

3.6.2. Seller has the right to audit Consigned Inventory with thirty (30) days advance notice to Buyer, on a mutually agreed to date, and shall perform a complete audit at least once per calendar year. Buyer reserves the right to participate in these audits. The financial responsibility resulting in any discrepancies of the Consigned Inventory shall be negotiated in good faith by the parties. Audit results will be published within 3 business days to the Buyer.

3.7 PHYSICAL PROTECTION OF INVENTORY

3.7.1. Buyer will take reasonable precautions to protect Consigned Inventory. Buyer shall be responsible for loss of and damage to Parts physically located at a Site except for (1) loss or damages caused by Seller's personnel or representatives or (2) normal deterioration of the Parts or components of such Parts.

3.8. RETURNING CONSIGNED INVENTORY TO SELLER

3.8.1. Unused Consigned Inventory may be returned to Seller at any time.

3.8.2. Buyer will return to Seller any defective Consigned Inventory. Seller will replace defective part at no cost to Buyer.

4. PRICING

4.1. Spare Part pricing shall follow the pricing agreement specified in the Agreement. Non-consumable spares for equipment under warranty will be stocked at no charge to Buyer.

4.2. Buyer will issue a debit memo for any mutually agreed to Parts where ownership is transferred from Buyer to Seller.

5. TERMINATION OF CONSIGNMENT PROGRAM

5.1 Buyer may, upon ninety (90) days written notice terminate all or entire system platform type of the Consignment Program (including eliminating specific Parts from the consignment inventory) at its sole convenience. Prior to returning Parts relating to the terminated portion of the Consignment Program, the parties will jointly conduct a final audit. Any discrepancies found during the final audit will be corrected in accordance with the Site's then-current cycle count and stock correction procedures.

ADDENDUM J

FSE CURRICULUM SUMMARY AND PRICING

(INCLUDES BUT NOT LIMITED TO THE SKILLS OR ACTIVITIES LISTED BELOW) (SKILLS AND EXPECTATIONS ARE GENERIC AND MAY VARY DEPENDING UPON TOOL APPLICABILITY)

FIELD SERVICE ENGINEER SKILLS AND EXPECTATIONS:

Apply appropriate equipment specific safety procedures rigorously. Identify and describe hazards and safety procedures for acids, solvents, pressurized and inert gases, cryogenics related to the equipment set. Describe the mechanical, electrical (EEW), vacuum, pneumatic, hydraulic, and thermal hazards and the associated safety procedures for the equipment set. Apply ergonomically correct methods for lifting and handling of equipment and equipment components. Recognize and describe the use of emergency shut off switches, interlocks and valves for the machines in the equipment cluster/set. Describe the correct hot work safety procedures. Correctly handle reactive gases, acids, solvents, pressurized and inert gases at point of use, specific to the equipment set. Describe MDA and safety system leak detection. Use PM checklists correctly. Enter necessary equipment data into CEPT, or equivalent system, correctly including sub-assembly and repair data. Generate CEPT status reports. Use MS Word to edit specs. Use station controller appropriately to handle PMs and software. Access stores ordering system to obtain necessary spares and other parts. Perform daily and weekly PMs as defined for equipment set. Recognize and react accordingly to alarms and error codes. Display knowledge of software and controls specific to the process tools in the equipment set. Ensure machine quality standards are met before returning machine back to production by performing appropriate monitors. Use simple measurement tools in a documented procedure. Use basic hand tools properly as defined for the equipment group. Perform automatic system alignments/adjustments per specifications. Run standard machine monitors. Operate optical measurement equipment. Assist in major PMs. Perform weekly maintenance based on data. Demonstrate knowledge of facilities and sub-systems of the process tools in the equipment set. Attain basic theoretical knowledge of the equipment in the set. Understand the impact of the equipment variables on the process. Certified to perform CPR and First Aid, has received Electrical Safety Training, (if in U.S. must meet OSHA Requirements), has read and understands Intel Electrical Safety Procedures, understands Control of Hazardous Energies and Lock Out Tag Out (LOTO) procedures.

Update PM checklists with expert supervision. Demonstrate proficiency in electrical skills with regard to working within EEW procedures. Troubleshoot basic transport problems i.e. shuttle cassette not sitting on elevator properly. Make decisions involving interactions of facility and sub-assembly. Perform monthly and quarterly PMs as defined for equipment. Perform tasks according to safety system requirements. Use data acquisition station controllers. Interpret CEPT data to solve problems. Use spreadsheets and operating systems. Troubleshoot standard station controller problems (if required). Maintain equipment as certified from supplier operations and maintenance classes. Troubleshoot using complex RFCs and schematics. Know how all sub-systems are integrated. Assist with improvements and upgrades. Participate in RFC development.

Suggest and maintain safety improvements. Maintain equipment as certified by supplier and maintenance and troubleshooting classes. Interact with suppliers and support groups. Write PM specifications and RFCs. Apply advanced troubleshooting methods. Participate as the experts in the implementation of equipment improvements. Work with suppliers and facilities to install new equipment. Perform semi-annual and annual PMs.

ADDENDUM K

NEGOTIATED CHANGES

GENERAL TERMS AND CONDITIONS OF PURCHASE AGREEMENT

1. DEFINITIONS

DELETE

A. "CONSUMABLE" means a part whose life expectancy and mode of failure is known or predictable during the normal operation of the Equipment and that should meet the normal attributes of schedulable and predictable demand and life expectancy of less than * * *.

CHANGE

B. "CUSTOM ITEMS" means semiconductor device probe cards (Sort Interface Units) that incorporate MicroSpring(TM) contacts and which substantially meet the requirements set forth in Addendums M and N hereto and that are designed to test microprocessors or microprocessor chip sets or flash memory products.

DELETE

C. "CONSIGNMENT" means any spare part owned by the Seller which Buyer chooses to hold on-site, or Seller holds offsite, at Buyer's discretion, to help Seller meet the Equipment availability requirements or productivity as defined in the Purchase Spec.

CHANGE

D. "Equipment" = "Custom Items".

DELETE

E. "FACILITIZATION" means placement and rough hook-up of electrical, gas, and vacuum utilities to the Items.

CHANGE

F. "FORECAST(s)" means the quantity of Items that Buyer reasonably anticipates it may purchase during a specified time on a per-Design basis.

CHANGE

H. "Items" = "Custom Items".

CHANGE

I. "LEAD-TIME" means the agreed number of calendar weeks or days from the date a Release is issued for an Item to the date the Item is to be received by the BUYER.

DELETE

J. "NON-CONSUMABLE" means a Spare Parts that is not replaced routinely and has an unpredictable life expectancy and that is typically replaced or repaired due to failures or deteriorating performance (quality and output).

CHANGE

L. "PURCHASE SPEC" means the agreed Custom Item Procurement Specification as set forth in Addendums M and N for each Custom Item model to be purchased pursuant to this Agreement.

CHANGE

M. "RELEASE" means Buyer's purchase order or change order to deliver a definite quantity of Custom Items or to provide Services to a specified schedule which is accepted in accordance with the terms of this Agreement. Technical specifications of Custom Items ordered under a Release are set forth in the Procurement and Subassembly/Electrical Specifications of Addendum M and N.

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*** Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately.

DELETE

O. "SPARE PART(s)" mean Consumable and/or Non-Consumable Spare Parts.

ADD

P. "BUYER'S DESIGNS" means the layout(s) of MicroSpring(TM) contacts on Custom Items provided by Buyer.

ADD

Q. "MICROSPRING(TM) "CONTACTS" means Seller's proprietary resilient contact structures.

ADD

R. "SIU" (SORT INTERFACE UNIT) means the Custom Item.

ADD

S. "TRAINING" means training described in the 20-254 Training Requirements.

ADD

T. "F.C.A." means free carrier as defined in the January 1, 2000 Incoterms.

3. PRICING

CHANGE

A. Prices for Items, Training and Services set forth herein shall remain fixed or decline THROUGH 12-31-01 unless agreed otherwise in writing by the parties.

CHANGE

B. Through the term of this Agreement and any extensions thereto, Seller warrants to Buyer that the prices set forth in this Agreement or any addendum or amendment, in conjunction with the discounts offered herein for Items and Services reflect the Seller's lowest price charged any customer of Seller for products with similar complexities and volumes as the Items ("Comparable Items") or services equivalent to Services ("Comparable Services"), except for Promotional Offers. "Promotional Offers" means, in aggregate, Seller's disposal of up to * * * Comparable Items per customer or prospective customer. If Seller sells any Comparable Item or provides Comparable Services to any other customer at a price less than the price set forth in this Agreement or any addendum or amendment, except Promotional Offers, Seller shall adjust the prices for any Item or Service invoiced by Seller and unpaid by Buyer within the payment period set forth in Section 4E of this Agreement to reflect the lower price. In the event the Seller offers a lower price either as a general price drop or to specific customer(s) for reasons other than Promotional Offers, Seller shall immediately notify Buyer of the lower price and adjust Buyer's pricing in future invoices or invoices issued but unpaid invoices within the payment period set forth in Section 4E of this Agreement to meet the new pricing structure. Each of the above adjustments and the rebate shall be calculated from the date a third party auditor determines the Comparable Item or Comparable Service were sold at a lower price, in accordance with the procedures of Section 3C below.

CHANGE

C. Buyer reserves the right to have Seller's records inspected and audited to ensure compliance with this Agreement. Such audit will be performed by an independent third party, selected by mutual agreement AND SHALL BE ONE OF THE BIG 8 ACCOUNTING FIRMS, at Buyer's expense. SHOULD BUYER AND SELLER NOT AGREE ON WHICH OF THE BIG 8 FIRMS, TO PERFORM THE AUDIT, THEN ONE SHALL BE RANDOMLY PICKED OUT OF A HAT. The audit shall not be performed more than ONE (1) TIME PER YEAR and should be conducted during Seller's normal business hours. Buyer will provide Seller with reasonable advance notice prior to the audit. Seller will provide auditor with information necessary for Buyer to verify Seller's compliance with Section 3B of this Agreement. The audit will assume all Items sold under this Agreement are custom Items unless otherwise specified in this Agreement.

(ii) If discrepancies are found during the audit and price adjustments are required to be paid by the Seller to the Buyer, Seller shall reimburse Buyer for all costs associated with the audit, * * * covering the price adjustments

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* * *. The results of such audit shall be kept confidential by the auditor and, if conducted by a third party, only Seller's failures to abide by the obligations of this Agreement shall be reported to Buyer.

DELETE

D. Applicable taxes and other charges such as duties, customs, tariffs, imposts, and government imposed surcharges shall be paid for by Seller without reimbursement from Buyer as part of the purchase price for Items and Services. In the event that Buyer is prohibited by law from remitting payments to the Seller unless Buyer deducts or withholds taxes therefrom on behalf of the local taxing jurisdiction, then Buyer shall duly withhold such taxes and shall remit the remaining net invoice amount to the Seller. Buyer shall not reimburse Seller for the amount of such taxes withheld.

CHANGE

F. All prices are in U.S. dollars AND ARE QUOTED F.C.A. SELLER'S DOCK IN LIVERMORE, CA. However, notwithstanding anything else set forth in Incoterms 2000 or elsewhere, prices for Items are exclusive of, and Buyer shall pay, all shipping costs, taxes and other charges such as duties, customs, tariffs, imposts, and government imposed surcharges.

CHANGE

G. Seller shall provide Seller's annual audited financial statements and independent auditors' opinion to Buyer within * * * (* * *) months of the Seller's fiscal year-end date, UNTIL SUCH TIME SELLER BECOMES A PUBLIC CORPORATION

4. INVOICING AND PAYMENT.

DELETE:

A. Prompt payment discounts will be computed from the latest of: (i) the scheduled delivery date; (ii) the date of actual delivery; or (iii) the date a properly filled out original invoice or packing list is received. Payment is made when Buyer's check is mailed or EDI funds transfer initiated.

CHANGE

B. Original hard-copy invoices shall be mailed or delivered by OTHER DELIVERY METHOD. Invoices shall include: Purchase Agreement number from the Release, purchase order number, line item number, Release number, part number, complete bill to address, description of Items, quantities, Buyer part number, listing of and dates of Services provided, unit prices and extended totals in U.S. dollars. Any applicable taxes or other charges such as duties, customs, tariffs, imposts and government imposed surcharges shall be stated separately on Seller's invoice. Payment of an invoice shall not constitute acceptance of the Item or Service.

DELETE

B. (i) * * *, BUYER ASSUMES ALL RISK AFTER ITEMS ARE PICKED UP FOB SELLER'S DOCK BY BUYER DESIGNATED CARRIER.

DELETE

D. Except for each new Equipment model, payment on Equipment shall be as follows: * * * percent (* * *%) net * * * (* * *) days from ship date; * * * percent (* * *%) net * * * (* * *) days from the final acceptance date. If final acceptance of the Equipment is delayed beyond * * * (* * *) days from the date of shipment due to no fault of the Seller, Buyer will pay the balance of * * * percent (* * *%) net * * * (* * *) days from the date of shipment. On each Equipment model that Buyer purchases for the first time, payment shall be * * * percent (* * *%) net * * * (* * *) days from shipment; * * * percent (* * *%) net * * * (* * *) days from the final acceptance date. Seller shall submit Buyer acceptance certificate or non-acceptance certificate at completion of final acceptance tests.

CHANGE:

E. CUSTOM ITEMS AND SERVICES (INCLUDING * * * CHARGES) WILL BE INVOICED AT * * *% NET * * * FROM DATE OF SHIPMENT OR DATES OF SERVICE. SHIPMENT OF CUSTOM ITEMS TAKES EFFECT ON THE DAY THEY ARE COLLECTED BY BUYER'S AUTHORIZED CARRIER.

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CHANGE

F. Seller agrees to invoice Buyer no later than * * * (* * *) days after completion of Services or the delivery of Item(s) FCA SELLER'S DOCK. Buyer will not be obligated to make payment against any invoices submitted after such period. In addition, if Seller exceeds * * * without providing written documentation with the purpose to collect payment on any invoice, Buyer shall not be obligated to make payment against such invoice regardless of initial invoice submittal.

5. TERMINATION FOR CONVENIENCE.

CHANGE

A. Buyer may terminate any Release placed hereunder, in whole or in part, at any time for its sole convenience by giving written notice of termination to Seller. Upon Seller's receipt of such notice, Seller shall, unless otherwise specified in such notice, immediately stop all work * * * hereunder, give prompt written notice to and cause all of its vendors or subcontractors to cease all related work and, at the request of Buyer, return any materials provided to Seller by Buyer.

CHANGE

B. BUYER ACKNOWLEDGES THAT ALL PRODUCTS AND SERVICES PROVIDED BY SELLER ARE CUSTOM ITEMS. * * * Paragraphs C through E of this Section 5 shall govern Buyer's payment obligation for Custom Items. Notwithstanding anything to the contrary, Seller shall not be compensated in any way for any work done after receipt of Buyer's notice, nor for any costs incurred by Seller's vendors or subcontractors after Seller receives the notice, nor for any costs Seller could reasonably have avoided, nor for any indirect overhead and administrative charges or profit of Seller * * * .

CHANGE:

C. Any claim for termination charges for Custom Items must be submitted to Buyer in writing within * * * (* * *) days after receipt of Buyer's termination notice along with a summary of all mitigation efforts. Seller will make any claims for termination charges in the form of an invoice within 30 days thereof.

CHANGE

D. Seller's claim may include the cost of work in process scheduled to be delivered within * * * (* * *) days and which must be scrapped due to the cancellation. Seller shall, wherever possible, place such custom work in process in its inventory and sell it to other customers. Upon payment of Seller's claim, Buyer shall be entitled to all such work and materials paid for.

CHANGE

E. Before assuming any payment obligation under this section, Buyer may inspect Seller's work in process and audit all relevant documents prior to paying Seller's invoice. IF BUYER CHOOSES TO AUDIT SELLER'S WORK IN PROCESS AND RELEVANT DOCUMENTS, BUYER MUST MAKE EVERY REASONABLE EFFORT TO COMPLETE THIS WITHIN * * * WORKING DAYS OF SELLER PROVIDING TERMINATION CHARGES.

CHANGE

F. Notwithstanding anything else in this Agreement, failure to meet the delivery date(s) in the Release (* * *) shall be considered a material breach of contract and shall allow Buyer to terminate the order for the Item and/or any subsequent Releases without any liability.

7. DELIVERY, RELEASES AND SCHEDULING.

CHANGE

A. Any Forecasts provided by Buyer are for planning purposes only and do not constitute a Release or other commitment by Buyer. Buyer shall have no obligation to and may, at its sole discretion, issue Releases under this Agreement. Buyer shall be responsible only for Items or Services for which it has issued Releases hereunder. IF BUYER DOES NOT OFFER ANY RELEASE WITHIN ANY CONSECUTIVE * * * (* * *) MONTH

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PERIOD, THEN SELLER SHALL PROVIDE NOTICE OF SUCH AND MAY TERMINATE THIS AGREEMENT IF BUYER DOES NOT OFFER A RELEASE WITHIN * * * (* * *) DAYS FOLLOWING THE NOTICE.

CHANGE

B. Seller shall notify Buyer's purchasing agent, (as noted on the Release), within twenty-four (24) hours if Seller is unable to make any scheduled delivery of Items or perform Services as scheduled and state the reasons. Such notification by Seller shall not affect Buyer's termination rights under Section 5. EXCEPT AS EXPRESSLY PROVIDED HEREIN, SELLER SHALL NOT INCUR ANY LIABILITY AS A RESULT OF SUCH NOTICE.

CHANGE

C. SELLER AGREES TO * * *. FOR NEW PRODUCT DESIGNS, SELLER ACCEPTANCE SHALL BE DETERMINED BY NOT REJECTING THE ORDER WITHIN 1 BUSINESS DAY FROM RECEIPT OF PURCHASE ORDER.

CHANGE:

D. Buyer may place any portion of a Release on hold by notice that will take effect immediately upon receipt. Releases placed on hold will be rescheduled or cancelled within * * * (* * *) days. Any Release cancelled shall be subject to the terms and conditions of Section 5.

CHANGE

E. BUYER RECOGNIZES THAT THEY ARE PURCHASING CUSTOM DESIGNED AND MANUFACTURED ITEMS, AND SELLER WILL * * *.

CHANGE

F. SELLER AGREES THAT ALL ITEMS WILL BE DELIVERED (F.C.A. SELLER'S DOCK) ON THE EXACT DATE SPECIFIED IN THE RELEASE (OR EARLY WITH BUYER'S APPROVAL). FAILURE TO MAKE THE ITEMS AVAILABLE FROM SELLER'S DOCK ON THE EXACT DATE SPECIFIED IN THE RELEASE SHALL * * *.

CHANGE:

G. Seller agrees to * * *, until the contractual lead-time established in Addendum L or as otherwise - agreed in writing by the parties.

DELETE:

H. At Buyer's discretion, * * *.

CHANGE

I. Seller will, as reasonably required by Buyer, use commercially reasonable efforts to * * *.

CHANGE

J. Configuration and other Buyer-requested or Buyer-approved changes that result in DELIVERY Date changes will be reflected on a change order to the Release showing ANY AGREED TO PRICE and delivery dates WHICH ARE MUTUALLY AGREED TO BY BUYER AND SELLER.

CHANGE

K. Seller will notify Buyer in writing of the planned obsolescence of any Item or part revision and will make that Item available to the Buyer for a minimum of NINETY (90) days after the notice, during which time Buyer will have the option to place a final Release for such Items for delivery after the NINETY (90) day notice. If any warranty return claims are made for such discontinued Items, then such returns will be subject to the warranty provisions in Section 8.

8. ACCEPTANCE AND WARRANTIES.

CHANGE:

A. All Items purchased by Buyer are subject to inspection and test source inspection. ACCEPTANCE REQUIREMENTS ARE DESCRIBED IN THE PURCHASE AND SUBASSEMBLY/ELECTRICAL SPECS., ADDENDUMS M AND N, UNLESS OTHERWISE SPECIFIED BY BUYER AND AGREED TO BY SELLER. Buyer may participate, as it deems necessary, in source inspections.

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If any inspection or test is made on Seller's premises, Seller shall provide Buyer with reasonable facilities and assistance at no additional charge.

CHANGE

(i) Notwithstanding any source inspection or testing at Seller's premises, all Items purchased by Buyer are subject to Buyer's inspection and test (qualification) before final acceptance at Buyer's premises. Final acceptance requirements are described in the Purchase Spec and Subassembly/Electrical Specifications of Addendum M and N unless agreed otherwise in writing by the parties. Buyer may reject an Item for not conforming to the applicable acceptance requirements. Items rejected by Buyer as not conforming to the acceptance requirements will be (i) returned to Seller at Seller's expense and Seller shall bear the risk of loss during return to Seller or (ii) repaired by Seller at Buyer's premises, subject to mutual agreement. Such returned Item(s) shall be repaired or replaced within a commercially reasonable time, subject to the requirements of Section 8A(ii) below.

CHANGE

ii) If ITEMS DO not pass final acceptance criteria, due to no fault of Buyer, within * * * (* * *) days of delivery, then Buyer may give written notice to Seller of failure to meet final acceptance criteria. If Items do not substantially meet final acceptance criteria within * * * (* * *) days of such notice, Buyer may, at Buyer's option; (a) return the Items for full credit or (b) have the Items replaced with new Items within * * * (* * *) days of Buyer's written election of option, or (c) have the Items repaired by Seller within * * * (* * *) days of Buyer's written election of option. Seller shall pay best way shipping, and be responsible for loss, for returns of rejected Items when Seller-authorized carriers are used. Return shipments via unauthorized carriers and loss in transit by such carriers are the responsibility of Buyer. Buyer shall be responsible for packaging, export/import authorization, and customs clearance. Seller reserves the right to charge-back to Buyer shipping costs incurred on those Items which were returned as rejected and with respect to which no fault of Seller was found.

CHANGE:

B. Seller warrants to Buyer that all Items provided by Seller for delivery hereunder shall conform in all respects to the Purchase AND SUBASSEMBLY/ELECTRICAL SPECS OF ADDENDUMS M AND N; be free from defects in material and workmanship and be new OR EQUIVALENT TO NEW, of the grade and quality specified.

CHANGE

(i) Following final acceptance, if an Item delivered hereunder does not comply with any of the warranties recited. Buyer shall notify Seller as soon as practicable and at Buyer's option, Seller shall repair or replace the defective Item, at its sole cost and expense, or refund the purchase price. However, prior to any return of an Item, Buyer must receive authorization from Seller, which authorization will not be unreasonably withheld or delayed. Buyer shall be responsible for packaging, export/import authorization and customs clearance. Seller reserves the right to charge-back to Buyer shipping and related costs incurred on those Items which were returned as defective and with respect to which no fault of Seller was found.

CHANGE

(ii) The warranty period for CUSTOM ITEMS shall apply for THE EARLIER OF * * * MONTHS OR * * * FOR ITEMS WITH * * *, AND THE EARLIER OF * * * MONTHS OR * * * FOR ITEMS WHICH USE * * *, UNTIL SUCH TIME WHERE SUPPLIER HAS GAINED SUFFICIENT MANUFACTURING EXPERIENCE WITH FOR ITEMS WHICH USE * * *, (AS DEFINED BY THE DELIVERY OF (* * *) * * * SIUS AND * * * DESIGNS) AT WHICH TIME THE WARRANTY WILL BE EXTENDED TO THE EARLIER OF * * * MONTHS OR * * *. THE WARRANTY IS VALID UNDER NORMAL USE AND CONDITIONS AND WHEN ITEMS ARE BEING USED UNDER SPECIFIED OPERATING CONDITIONS AS DEFINED IN THE ATTACHED SUB-ASSEMBLY/ELECTRICAL SPECIFICATION. THE WARRANTY SHALL COVER BOTH PARTS AND LABOR, STARTING FROM THE DATE OF DELIVERY OF THE ITEM.

DELETE:

(iii) In conjunction with the warranty period, Seller shall perform all preventative maintenance on a mutually agreeable schedule.

DELETE:

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(iv) At Buyer's option the labor value of the warranty, or the purchase price of an extended warranty (if purchased with the Equipment), can be credited against a Service contract prior to the end of the warranty period. All warranty terms will continue to apply throughout the term of any Service contract or extended warranty period.

DELETE:

(v) Seller shall send Buyer notices at * * * (* * *) days and * * * (* * *) days prior to the warranty expiration date for an Item explaining the extended warranty options and costs.

ADD

(vi) Buyer hereby expressly accepts any item if (i) Buyer does not reject such Item within * * * (* * *) days from delivery, however, the warranties defined in this agreement shall still apply.

CHANGE

C. Seller further warrants, THAT TO THE BEST OF ITS KNOWLEDGE, all Items furnished hereunder will not infringe any third party's intellectual property rights, and that Seller has the necessary right, title, and interest to provide said Items and Services to Buyer free of liens and encumbrances.

CHANGE:

E. Seller warrants that all Services provided shall be performed in accordance with good workmanlike standards and shall meet the descriptions and specifications provided on Addendum A or a SOW.

DELETE

F. Notwithstanding anything to the contrary contained in this Agreement, Seller represents and warrants that there will be no disruption in the delivery of Items or Services under this Agreement as a result of or due to the date change from and between December, 1999, and January, 2000, nor due to the year 2000 being a leap year.

ADD 8G

EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION 8, SELLER FURNISHES, AND BUYER ACCEPTS, THE ITEMS AND SERVICES AS-IS, WITH NO WARRANTY, EXPRESS OR IMPLIED, AND THERE ARE EXPRESSLY EXCLUDED THE IMPLIED WARRANTIES OF MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE, AND ANY IMPLIED WARRANTIES ARISING FROM COURSE OF CONDUCT OR DEALING. THE STATED EXPRESS WARRANTIES ARE IN LIEU OF ALL OTHER OR DIFFERENT WARRANTIES, ON THE PART OF SELLER ARISING OUT OF, OR IN CONNECTION WITH, ANY ITEMS OR SERVICES PURCHASED UNDER THIS AGREEMENT. TO THE EXTENT THAT SELLER MAY NOT, AS A MATTER OF APPLICABLE LAW, DISCLAIM ANY WARRANTY RELATING TO INDEMNIFICATION, THE SCOPE AND DURATION OF SUCH WARRANTY RELATING TO INDEMNIFICATION SHALL BE THE MINIMUM PERMITTED UNDER APPLICABLE LAW.

CHANGE:

9. PURCHASE SPECIFICATIONS, IDENTIFICATION AND ERRATA.

CHANGE

A. Seller OR BUYER shall not modify the purchase AND SUBASSEMBLY/ELECTRICAL specifications for any Item or Services without the prior written approval of the Buyer OR SELLER.

CHANGE

C. Seller shall provide Buyer with an errata list for NONCONFORMING ITEMS and shall promptly notify Buyer in writing of any new errata with respect to the Items.

10. PACKING AND SHIPMENT.

CHANGE

A. All Items shall be prepared for shipment in a manner which: (i) follows good commercial practice, (ii) is acceptable by common carriers for shipment at the lowest rate when the sensitivity of the shipped contents are considered, and

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(iii) is adequate to ensure safe arrival. If Buyer requests, Seller will package Items for cleanroom delivery, per Buyer specification and any additional costs will be negotiated. Seller shall mark all containers with necessary lifting, handling, unpacking and shipping information, Release number, Buyer's Item Identification number or part number, description, Line item number, date of shipment and the names of the Buyer and Seller.

CHANGE:

B. All ITEMS shall be delivered F.C.A. (Seller's dock). Buyer shall notify Seller of the method of shipment. If no instructions are given, Seller shall select the most cost effective carrier based upon Buyer's required delivery date. Title and risk of loss to Equipment shall pass to Buyer upon COLLECTION BY BUYER'S AUTHORIZED CARRIER.

DELETE

C. All Items other than Equipment shall be Delivered Duty Paid ["DDP"; July 1990 Incoterms] Buyer's dock for Non-Free Trade zone factory sites or Delivery Duty Unpaid ["DDU"; July 1990 Incoterms] Buyer's dock for Free Trade zone factory sites as specified in the Release. Title and risk of loss for all Items other than Equipment shall pass to Buyer upon delivery of Items to Buyer's dock.

11. OWNERSHIP AND BAILMENT RESPONSIBILITIES.

CHANGE

A. Any specifications, drawings, schematics, technical information, data, tools, dies, patterns, masks, gauges, test equipment and other materials furnished to Seller or paid for by Buyer shall (i) remain or become Buyer's property, (ii) be used by Seller exclusively for Buyer's orders, (iii) be clearly marked as Buyer's property, (iv) be segregated when not in use, (v) be kept in good working condition at BUYER's expense, and (vi) be shipped to Buyer promptly on Buyer's demand or upon termination or expiration of this Agreement, whichever occurs first. Any such property furnished by Buyer to Seller that is marked or otherwise noted by Buyer as being confidential information will be treated by Seller in accordance with Section 12 hereafter.

ADD 11C

Notwithstanding anything else set forth herein, no provision of this Agreement shall effect the transfer of ownership rights in intellectual property from Seller to Buyer, nor restrict Seller's ability to transfer, license or in any other way utilize its rights in and to intellectual property, including but not limited to, any and all rights Seller may have in and to patents, copyrights, trademarks, trade secrets and maskworks.

CHANGE

12. CONFIDENTIALITY AND PUBLICITY.

A. During the course of this Agreement, either party may have or may be provided access to the other's confidential information and materials. Provided information and materials are marked in a manner reasonably intended to make the recipient aware, or the recipient is sent written notice within forty-eight (48) hours of disclosure, that the information and materials are "Confidential", each party agrees to maintain such information in accordance with the terms of this Agreement AND THE CNDA REFERENCED ON THE SIGNATURE PAGE OF THIS AGREEMENT. At a minimum each party agrees to maintain such information in confidence and limit disclosure on a need to know BASIS, TO TAKE all reasonable precautions to prevent unauthorized disclosure, and to treat such information as it treats its own information of a similar nature, until the information becomes rightfully available to the public through no fault of the non-disclosing party. Seller's employees who access Buyer's facilities and BUYER'S EMPLOYEES WHO ACCESS SELLER'S FACILITIES may be required to sign a separate access agreement prior to admittance to SUCH facilities THE TERMS OF SUCH SEPARATE ACCESS AGREEMENTS SHALL NOT, HOWEVER, BE DEEMED TO BE INCORPORATED INTO THIS AGREEMENT, NOR SHALL THEY ALTER THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER. Furthermore, Seller will furnish a copy of Addendum C to each of its employees, agents and subcontractors who perform work or Services on Buyer's premises or facilities or otherwise has access to Buyer's classified and CONFIDENTIAL information, networks or software, and will take reasonable steps to assure Buyer that all such have read and understood Addendum C.

13. INTELLECTUAL PROPERTY INDEMNITY.

CHANGE

A. Subject to Section 32, Seller shall DEFEND, indemnify, and hold Buyer harmless from any and all costs, expenses (including reasonably attorneys' fees), losses, damages or liabilities incurred because of actual or alleged infringement of any patent, copyright, trade secret, trademark, maskwork or other intellectual PROPERTY right arising out of the use of Items. BUYER WILL PROVIDE SELLER WITH PROMPT WRITTEN NOTICE OF THE CLAIM WITH ALL REASONABLE INFORMATION AND ASSISTANCE TO DEFEND OR SETTLE THE CLAIM. BUYER CAN PARTICIPATE IN IT'S OWN DEFENSE AT IT'S OWN COST. Seller shall not be responsible for Buyer's compromise of any claim made without Seller's consent.

CHANGE

If an injunction issues as a result of any claim for which Buyer has obligations under Section 13(A), Seller agrees at its expense, AND BUYERS OPTION, to either:-(i) procure for Buyer the right to continue using Items, (ii) replace the Items with non-infringing Items or (iii) modify the Items so they become non-infringing. If, despite Seller's commercially reasonable efforts, none of the foregoing options are available, Seller shall refund to Buyer the purchase price of the Item. * * *

CHANGE

C. Seller's obligations pursuant to this Section 13 shall not apply where: (i) custom Items are manufactured to Buyer's particular design requirements and such design is the cause of the claim; (ii) Items are used in combination with Equipment, software or other products not supplied, required or recommended by Seller and such infringement would not have occurred but for such combination; (iii) the claim is based upon Buyer's use of the Items to practice any method or process for which the Items were not intended and such use is the cause of the claim; (iv) the claim is based upon modification of Items by Buyer without Seller's written consent and such infringement would not have occurred but for such modification; or (v) the claim is based on Buyer's use or transfer of an Item delivered hereunder after Seller's notice that Buyer shall cease use or transfer of such Item due to such claim, provided that such notice is directed to the majority of Seller's customers for the infringing product.

ADD

C2. Seller shall not be responsible for Buyer's compromise of any claim made without Seller's consent.

CHANGE

D. THE FOREGOING STATES THE ENTIRE OBLIGATIONS AND REMEDIES OF THE SELLER ARISING FROM ANY INTELLECTUAL PROPERTY CLAIM BY A THIRD PARTY.

16. COMPLIANCE WITH LAWS AND RULES

CHANGE

A. Throughout the term of this Agreement and any extension thereto, Seller shall comply, at its sole cost and expense, with all applicable statutes, regulations, rules, ordinances, codes and standards (Laws) governing the manufacture, transportation or sale of Items or the performance of Services covered by this Agreement anywhere in the world, EXCEPT FOR THOSE OBLIGATIONS OF BUYER RELATED TO DELIVERY F.C.A. Without limiting the foregoing, in the United States (U.S.) this includes all applicable commerce, environmental , occupational safety, transportation and securities Laws and all employment and labor Laws governing Seller's personnel providing Services to Buyer. In complying with the Laws, it is understood and agreed that the Equipment shipped to all Buyer sites worldwide must be of a common configuration ("Copy Exactly") for use by all Buyer sites worldwide and comply with any and all product safety requirements described in the Purchase Spec AND SUBASSEMBLY/ELECTRICAL SPECS. M AND N RESPECTIVELY or elsewhere in this Agreement. Any Copy Exactly exception must be mutually agreed to and documented in a configuration specification as a site specific option.

B. EACH PARTY AGREES THAT WHILE ON THE OTHER PARTY'S premises or performing Services, EACH PARTY agrees to abide by EACH PARTY'S rules and regulations that are provided to EACH PARTY in writing; posted conspicuously or easily observed while on EACH PARTY's premises or customarily followed or known by third party invitee, including, but not limited to security, heath, safety, environmental and hazardous

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material management rules and rules prohibiting the use of physical aggression against persons or property, harassment and theft. EACH PARTY will perform only those Services identified on Addendum A and will work only in areas designated for such Services. EACH PARTY shall take all reasonable precautions to ensure safe working procedures and conditions for performance on EACH PARTY'S premises and shall keep EACH PARTY'S site neat and free from debris.

CHANGE

18. GENERAL INDEMNIFICATION.

SUBJECT TO SECTION 32, Seller agrees to protect, defend, indemnify and hold Buyer harmless from and against any and all THIRD PARTY claims, liabilities, demands, penalties, forfeitures, suits, judgments and the associated costs and expenses (including reasonable attorney's fees), which Buyer may hereafter incur, become responsible for or pay out as a result of death bodily injury to any person, destruction or damage to any property, contamination of or adverse effects on the environment and any clean up costs in connection therewith, or any violation of governmental law, regulation, or orders, caused, in whole or in part, by (a) Seller's breach of any term or provision of this Agreement, (b) any negligent or willful acts, errors or omissions by Seller, its employees, officers, agents, representatives or sub-contractors in the performance of Services under this Agreement; or (c) dangerously defective Items. BUYER WILL PROVIDE SELLER WITH PROMPT WRITTEN NOTICE OF THE CLAIM WITH ALL REASONABLE INFORMATION AND ASSISTANCE TO DEFEND OR SETTLE THE CLAIM. BUYER CAN PARTICIPATE IN ITS OWN DEFENSE AT ITS OWN COST. Seller shall not be responsible for Buyer's compromise of any claim made without Seller's consent

20. INDEPENDENT CONTRACTOR

In performing Services under this Agreement, Seller shall be deemed an independent contractor. Its personnel and other representatives shall not be deemed agents or employees of Buyer. As an independent contractor, Seller will be solely responsible for determining the means and methods for performing the required Services. Seller shall have complete charge and responsibility for personnel employed by Seller. EACH PARTY reserves the right to instruct Seller to remove from Buyer's premises immediately any of Seller's personnel who are in breach of Section 16 or 21 of this Agreement. Such removal shall not affect Seller's obligation to provide Services under this Agreement.

CHANGE

21. SECURITY.

EACH PARTY confirms that, to the best of its knowledge, THAT ITS OWN EMPLOYEES performing work at THE OTHER PARTY'S facilities have no record of criminal convictions involving drugs, assaultive or combative behavior or theft within the last five (5) years. EACH PARTY understands that such employees may be subject to criminal history investigations by THE VISITED PARTY AT SUCH VISITED PARTY'S expense and will be denied access to SUCH VISITED PARTY'S facilities if any such criminal convictions are discovered. Seller also agrees to comply with Buyer's Alcohol and Drug-free Workplace Directive set forth in Addendum B.

CHANGE

22. NEW DEVELOPMENTS.

ANY NEW DEVELOPMENTS SHALL BE COVERED UNDER A SEPARATE AGREEMENT.

DELETE -- NOT APPLICABLE

23. SOFTWARE AND DOCUMENTATION LICENSE.

A. DEFINITIONS:

"SOFTWARE" means any software and/or firmware provided with, embedded in or that is necessary, required or normally provided by the Seller for the use and/or operation of Items, in object code form, including bug fixes, updates, enhancements, and new releases developed by Seller during the term of the Agreement.

"DOCUMENTATION" means any and all user documentation and training materials necessary to instruct Buyer in the proper installation, use and operation of the Software or Items which accompany either Software or Items.

B. LICENSE GRANT: Seller grants to Buyer a fully paid, worldwide, transferable, non-exclusive, perpetual license, under all intellectual property rights owned or licensed by Seller and embodied in the Software and/or Documentation to

install, copy and use the Software and use and distribute the Documentation internally in the operation of the Software or Items. Buyer may make a reasonable number of archived copies of Software for back-up purposes. Buyer may copy the Documentation or portions thereof, for internal use purposes. Buyer may not reverse engineer the Software.

C. RIGHT TO TRANSFER: Buyer may transfer the Software, Documentation and copies prepared in accordance paragraph 23 B, and all rights associated therewith, as part of the sale, lease or other transfer of all rights in Items for which the Software and Documentation were provided or required, provided that the Buyer retains no copies Software, Documentation and the transferee agrees to the terms and conditions of this Software and Documentation License,

D. OWNERSHIP. Seller shall retain all ownership interest in and to Software and Documentation, and except for the express rights and license set forth herein, Buyer receives no other rights or license, whether by implication, estoppel or otherwise.

E. WARRANTIES: Seller makes the following representations and warranties to Buyer regarding the Software:

(1) The Software will perform in conformance with the Purchase Spec;

(2) The Software does not contain any viruses at the time of delivery to Buyer;

(3) Seller has all necessary rights, title and interest to grant the rights set forth herein to Buyer, free of any claims, liens or conflicting rights in favor of any third party; and

(4) The Software (i) will function without error or interruption related to Date Data from more than one century; (ii) requires all Date Data (whether received from users, systems, applications or other sources) and all date output and results, in any form, to include an indication of century in each instance. As used herein, "Date Data" means any data or input, whether generated within the Item or communicated to it, which includes an indication of or reference to date. The foregoing is in addition to all other representations and warranties of Seller.

24. MERGER, MODIFICATION, WAIVER, REMEDIES AND SEVERABILITY.

CHANGE

A. This Agreement, THE CNDA REFERENCED ON THE SIGNATURE PAGE OF THIS Agreement, ANY MUTUALLY ACCEPTED SOW, and any Releases issued hereunder contain the entire understanding between Buyer and Seller with respect to the subject matter hereof and merges and supersedes all prior and contemporaneous agreements, dealings and negotiations. No modification, alteration or amendment shall be effective unless made in writing, dated and signed by duly authorized representatives of both parties.

CHANGE

B. Buyer's AND SELLER'S rights and remedies herein are in addition to any other rights and remedies provided by law or in equity.

D. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal, or unenforceable, such determination shall not affect the validity of the remaining provisions UNLESS BOTH PARTIES DETERMINES IN ITS DISCRETION THAT THE COURT'S DETERMINATION CAUSES THIS AGREEMENT TO FAIL IN ANY OF ITS ESSENTIAL PURPOSES.

CHANGE

25. ASSIGNMENT.

Neither party may assign any rights in, nor delegate any obligations under this Agreement or any portion thereof, without the prior written consent of the other party which will not be unreasonably withheld or delayed EXCEPT THAT SELLER MAY ASSIGN THIS AGREEMENT AND ITS RIGHTS AND OBLIGATIONS UNDER THIS AGREEMENT WITHOUT PRIOR WRITTEN CONSENT OF BUYER (i) IN CONNECTION WITH A MERGER OR REORGANIZATION OF SELLER, PROVIDED THAT THE MERGED OR REORGANIZED COMPANY AGREES IN WRITING TO BE BOUND BY THE TERMS AND CONDITIONS IN THIS AGREEMENT, AND/OR (ii) TO ANY PERSON OR ENTITY ACQUIRING ALL OR SUBSTANTIALLY ALL OF THE ASSETS OR STOCK OF SELLER. ANY ASSIGNMENT IN CONTRAVENTION OF THIS SECTION 25 SHALL BE NULL AND VOID. EITHER PARTY MAY TERMINATE THIS AGREEMENT FOR CAUSE SHOULD THE OTHER PARTY ATTEMPT TO MAKE AN UNAUTHORIZED

ASSIGNMENT OF ANY RIGHT OR OBLIGATION ARISING HEREUNDER. SUBJECT TO THE FOREGOING, THE TERMS AND CONDITIONS OF THIS AGREEMENT WILL INURE TO THE BENEFIT OF AND BE BINDING UPON THE RESPECTIVE SUCCESSORS AND ASSIGNS OF THE PARTIES.

CHANGE

26. APPLICABLE LAW

This Agreement shall be construed and interpreted in accordance with the laws of the State of CALIFORNIA, excluding CALIFORNIA'S conflicts of law provisions. The provisions of the United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement. The parties agree that the predominance of this Agreement is the sale of goods, and agree that the CALIFORNIA version of the Uniform Commercial Code, Article 2, shall be applicable to this Agreement.

29. SURVIVAL.

The rights and obligations of the parties as contained in Sections 1, 3 EXCEPT 3.G, 5, 6, 8, 11, 12, 13, 14, 15, 16, 18, 19, 20, 22, 23, 24, 25, 26, 27, 28, 29, 30, 32, AND 33 shall survive the termination or expiration of this Agreement along with any other right or legal obligation of a party created by a term or condition in any Addendum, SOW or Purchase Spec, which term or condition by its nature would survive the termination or expiration of the Agreement. Promptly following termination or expiration of this Agreement, (a) each party shall return the other party's confidential information and (b) Buyer shall pay Seller any amounts due.

CHANGE

30. ORDER OF PRECEDENCE.

In the event of a conflict or inconsistency between any terms or condition of this Agreement including its Addenda on the one hand (excluding Addendums M and N) and the Purchase Spec and Subassembly/Electrical Specifications of Addendums M and N on the other, the terms and conditions of this Agreement and its remaining Addenda shall control.

ADD:

32. LIMITATION OF LIABILITY; EXCLUSION OF DAMAGES

EXCEPT FOR SELLER'S LIABILITY FOR INDEMNIFICATION OF BUYER PURSUANT TO SECTIONS 12, 13, AND 14 OR DEATH OR PERSONAL INJURY TO ANY PERSON OR PROPERTY DAMAGE TO OTHER PERSONS, OR DIRECT DAMAGE TO INTEL TANGIBLE PROPERTY, IN NO EVENT SHALL SELLER'S LIABILITY TO BUYER UNDER THIS AGREEMENT EXCEED ***% OF SELLER'S ANNUAL EARNINGS. THIS LIMITATION OF SELLER'S LIABILITY IS CUMULATIVE, WITH ALL PAYMENTS FOR CLAIMS OR DAMAGES IN CONNECTION WITH THIS AGREEMENT BEING AGGREGATED TO DETERMINE SATISFACTION OF THE LIMIT. THE EXISTENCE OF ONE OR MORE CLAIMS WILL NOT ENLARGE THE LIMIT. IN NO EVENT SHALL SELLER BE LIABLE FOR COSTS OF COVER OR PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, LOSS OF USE OR PROFITS, INTERRUPTION OF BUSINESS OR ANY SPECIAL, INCIDENTAL, INDIRECT, EXEMPLARY, OR CONSEQUENTIAL DAMAGES, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, ANY ITEM OR SERVICE PROVIDED HEREUNDER OR ANY RELEASE OR SCOPE OF WORK, HOWEVER CAUSED, ON ANY THEORY OF LIABILITY, WHETHER IN AN ACTION FOR CONTRACT, WARRANTY, STRICT LIABILITY, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, AND WHETHER OR NOT SELLER HAS BEEN ADVISED OF (OR KNOWS OR SHOULD KNOW OF) THE POSSIBILITY OF SUCH DAMAGES OR LOSS, AND NOTWITHSTANDING THE FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY.

ADD

33. TERMINATION OF PRIOR DEVELOPMENT AGREEMENT

On August 7, 1997, the parties entered into that certain C4 PROBE CARD DEVELOPMENT AND SUPPLY AGREEMENT ("Prior Agreement"). The parties agree that it is in their best interests to terminate this Prior Agreement, and no provisions survive. and the parties hereby terminate the Prior Agreement.

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ADDENDUM A, `ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO ALL EQUIPMENT MODELS, SPARE PARTS AND SERVICES, PART I. EQUIPMENT.

DELETE

SECTIONS 1, 2, 4, 5, 6, AND 7

RETAIN SECTION:

3. CHANGE CONTROL

A. Buyer may require and Seller agrees to make any Equipment modifications needed to bring the Equipment into conformance with the Purchase Spec . Such modifications will be performed at no cost to Buyer. Prices for upgrades and modifications that exceed the Purchase Spec (current at time of installation) will be negotiated at the time Buyer grants authorization.

i. Seller shall not make changes to Items without prior written approval from Buyer.

ii. Changes include all hardware assembly modifications that affect the manufacturing environment, impact/require recipe alteration to match outputs, affect the ergonomic or safety characteristics of the Equipment. They may also include modifying Equipment, modules, software, subassemblies, parts associated with the manufacturing environment or process chemicals/consumables.

iii. Seller must request approval for such changes by notifying Buyer of the proposed change by sending an Equipment change request notice to Buyer a minimum of * * * (* * *) days, or as agreed to by both Buyer and Seller prior to any proposed change. This notice shall include the specific change requested, reason for the change, specific change details, Items affected, and the impact to Equipment in the field.

iv. Seller shall provide rev-level control and traceability systems for Items supplied to Buyer hereunder.

v. In the case of Equipment on order but not yet shipped, formal modification of the Release is required for any change to the model, configuration, variance to the price, performance, acceptance specifications, or delivery schedule. No Equipment will be accepted or paid for that is in variance to what is shown on the Release unless formally authorized by a written change order.

ADDENDUM A

ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO ALL EQUIPMENT MODELS, SPARE PARTS AND SERVICES

DELETE

PART II. SPARE PARTS.

PART III. SERVICES.

CHANGE

2. PRICING

A. Prices set forth in Addendum L and specific scopes of work (for extended service contracts) shall - remain firm THROUGH * * *.

DELETE

B. Seller will decrease rates when they are determined not to be competitive with geographical labor rates.

DELETE

C. If Seller decreases prices for Services furnished hereunder, the prices of any and all remaining Services under this Agreement shall be decreased.

- ----------
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DELETE

3. ALTERNATE USE OF SCOPE OF WORK PERSONNEL

If, after receiving Buyer's approval, Seller utilizes personnel assigned under any factory-specific Scope of Work (SOW) to perform installation, warranty, or other work not included in such factory-specific SOW, Seller will credit to Buyer the value of all such work. The amount of any such installation, warranty, or other credits will be mutually agreed in advance. Buyer shall have the right to accept or reject any Seller requests to utilize personnel assigned under a factory-specific SOW to do any such work.

DELETE

4. EQUIPMENT PRE-DELIVERY AND START UP

C. Prior to Equipment installation, Seller shall participate in Buyer's installation design reviews, identify any flaws in the designs that would impair the successful installation of Seller's Equipment, and shall approve final design revisions.

D. After Buyer has completed Equipment Facilitation, Seller shall work the required amount of hours in order to ensure Equipment is installed and started up to meet Purchase Specification acceptance criteria and production ramp requirements. At a minimum, this shall include final connection, pre-safety certification hookup work, mechanical, electrical, software functionality testing, chemical functionality testing, acceptance to Purchase Spec criteria, and process module qualification (final acceptance). Buyer and Seller shall co-develop plans, Gantt charts or other tools that are necessary to ensure Equipment is ready for each phase of Buyer's production ramp.

DELETE

5. PROCESS MODULE QUALIFICATION

E. Seller shall participate as needed in process and module qualification and in integrating the Equipment into the manufacturing process.

F. Seller shall use mutually agreed procedures, practices and methodology for ensuring that the Equipment being installed matches the performance of similar Equipment installed in Buyer's facility.

G. Equipment matching shall include, but is not limited to, process matching, gauge matching, statistical and Equipment to Equipment matching in the same facility or in any of Buyer's facilities, subject to any limitation defined in the purchase Spec.

H. Buyer shall provide Seller with training to assist in Equipment, process and module characterization procedures.

F. Seller shall assist Buyer in streamlining the process within critical parameter requirements to achieve greater machine effectiveness and higher output volume.

DELETE

6. FIELD SERVICE SUPPORT

C. If equipment does not meet performance requirements and specifications as detailed in the Purchase Specification, Seller shall provide during the warranty period service engineer on Buyer's site during the first year at each of the new Buyers site installations. At no additional cost, should chronic problems persist, additional field service engineers will be dedicated to provide * * * on-site coverage, until Equipment consistently meets Purchase Specifications. Sites shall have the option of extending on-site coverage at a rate in accordance with Addendum "Service," provided Purchase Specifications have been achieved

D. Seller will provide worldwide field service support to ensure that the equipment meets or exceeds the performance specifications. Seller will (i) monitor and report data on performance to plan (by work week) at the required service contract, warranty and management reviews, (ii) actively participate in continuous improvement forums, such as, users groups, (iii) continuously improve their process capability, application knowledge, and support, (iv) train and certify their field service personnel so that they meet the requirements identified in this agreement, and (v) develop the appropriate escalation procedures for problem resolution and Equipment down situations.

- ----------
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7. CONTINUOUS IMPROVEMENT

DELETE

A. After the first Equipment is installed at a site, Buyer may require Seller to participate in a joint program to baseline and improve the performance of Seller's Equipment in Buyer's production applications. At the end of six months, Buyer and Seller shall review this baseline performance and establish long range continuous improvement goals. In no case shall baseline Equipment performance be less than parameters defined in the Purchase Specifications. Seller commits to a continuously improving Equipment Cost of Ownership (CoO).

CHANGE

C. Seller AND BUYER MAY WORK TOGETHER to collect and analyze data through Buyer's automated data collection system and/or other data available to Seller and recommend corrections or improvements to Equipment.

8. ESCALATION

A. Seller will provide telephone Technical Support with a * * * pager telephone response basis * * *. Seller will also provide an escalation list with the phone numbers of at least three senior technical personnel. If a problem occurs with a piece of Seller's Equipment, Buyer shall immediately call Seller's Technical Support (or escalation list, if necessary).

DELETE

B. If a problem with Equipment cannot be resolved by Buyer's personnel within * * * of such a call, Seller will have service personnel on Buyer's site within * * * or within * * * if an extended service contract is in place.

DELETE

C. If the problem is still unresolved * * * after the initial call, Seller shall dispatch at least one additional senior (Level III) field service engineer to the site.

CHANGE

D. If the problem is still unresolved * * * after the initial call, BUYER MAY REQUEST AND SELLER SHALL USE COMMERCIALLY REASONABLE EFFORTS TO * * *.

CHANGE

E. A post mortem report is required for all equipment down over * * *. Seller's Field Service Manager is responsible for scheduling a post mortem meeting with the Buyer after the "Escalated" problem is resolved. The Seller report will include, but is not limited to, documenting the root cause , plan of action, any future preventive actions, a summary of the daily activities noting parts used, their effect on the problem, and any change to the plan of action.

CHANGE

F. IF * * *, These levels of escalation will be provided at no cost during the warranty period. * * *

9. TECHNICAL EXPERTISE

CHANGE

A. In order to be considered a Level III Field Service Engineer (FSE OR FAE, FIELD APPLICATION ENGINEER), the individual must meet all of the following requirements:

i. At least six months experience working with the model(s) of equipment being supported under this Agreement. Seller will work with Buyer's training and documentation representative to develop and produce a training plan, which will raise this individual to Level III status.

DELETE

iv. Seller personnel used to install new equipment or relocate existing equipment must be Skill Certified Level III

- ----------
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DELETE

v. ON SITE and OFF SITE Field Service Engineers must be Skill Certified LEVEL III , as per Curriculum Section Addendum J.

DELETE

vi. ON SITE FIELD SERVICE ENGINEER (OSFSE) - The OSFSE will be responsible for the management and supervision of Seller's team of Field Service Engineer (FSE's) and other personnel utilized in the performance of this Agreement. The OSFSE will be a primary communication link from Buyer's factory to Seller, and will participate in Buyer's various equipment improvement teams, and management reviews as requested. The OSFSE must be a certified Level III (as per Section Addendum J of this Agreement) and will deliver on-the-job training and formal training per Specification 20-254 section 4.7 to maintain and improve the skills of the FSE's and Buyer's factory personnel assigned to Seller's equipment. The OSFSE must report equipment performance MTBA, MTBF, Utilization, Outs per system, Spares usage, and PM PAS, weekly to responsible Process/Equipment Engineer, Site Supplier Management Team and Buyer, as well as performance against schedule (PAS) for any agreed to service objectives or issues and plans. The OSFSE shall be responsible for resolving any Seller personnel-related discipline issues. However, Buyer reserves the right to request the immediate removal of any Seller personnel who are in breach of any laws, regulations, or provisions of this Agreement.

CHANGE

D. If any of Seller's personnel assigned to any factory-specific service Scope of Work, upon commencement of work at Buyer's factory, are not Level III as defined in this Section, Buyer may choose from one of the remedies listed below. Such remedies will apply only to the individual personnel in question and will be in effect only until such time as Seller can prove that such personnel have met the requirements to be "Level III."

i. The individual is removed from Buyer's factory and replaced by a "Level III." Or,

ii. The individual may remain but shall be supplemented at no charge by an additional Seller personnel who is Level III certified Or,

iii. Buyer may cancel the portion of the applicable factory-specific service Scope of Work equal to the number of individuals who are not Level III, with no cancellation liability.

10. OTHER SELLER RESPONSIBILITIES

DELETE

A. Seller must provide both Preventive Maintenance (PM) and Corrective Maintenance (CM) support to mutually agreed procedures, which are defined in Buyer's PM Specifications. Should a situation arise where multiple procedures exist, Buyer's procedures will be executed by default.

CHANGE

B. FSE's MAY, AT SELLER'S DISCRETION participate and contribute to Buyer factory support teams.

DELETE

B. FSE must be Performance Base Equipment Training (PBET) certified.

DELETE

C. FSE will provide training described in 20-254 Training Requirements to support Buyer's maintenance capability AT THE FEE SCHEDULE DEFINED IN ADDENDUM L.

D. Modifications and/or procedural changes recommended by Seller will be implemented only as defined by Buyer's Change Control Procedures.

CHANGE

E. Seller MAY work with Buyer to develop, test, and proliferate Continuous Improvement Projects (CIP) needed to meet or exceed the Corporate Purchase Agreement and Corporate Purchase Specification requirements.

DELETE

F. Seller will provide documented and demonstrated Response Flow Checklists (RFCs) for equipment troubleshooting and repair of the common failures from the reliability growth testing.

CHANGE

J. SELLER is responsible for FSE training, tracking and competency in all Buyers safety requirements, as per Section Addendum J. This is inclusive of any and all work performed by the Sellers FSE, at the Buyers sites.

DELETE

K. Seller must help develop and execute activities to reduce scrap and unit losses and unscheduled downtime incidents.

DELETE

M. Seller shall generate Predictive Maintenance schedules.

DELETE

N. Should Seller have non-English speaking FSE's on site, Seller shall provide adequate bilingual support for translation.

DELETE

O. As team member, Seller personnel shall function as proficient maintenance technicians, to comply with Buyers in-house procedures, while at the same time utilizing Seller knowledge to maintain equipment and offering suggestions on improved methodology for achievement of cost effective output increases.

DELETE

Seller shall provide Buyer with all Equipment-specific tools (one set per site).

11. BUYER RESPONSIBILITIES

A. Buyer shall provide work area for Seller's contracted on site FSE employees in the maintenance shop Additional Office space shall be determined by local factory conditions.

B. Buyer shall provide access to Equipment for preventative maintenance or repair.

C. Buyer shall provide factory contacts to define priorities and assist in resolving disputes and disciplinary issues.

D. Buyer shall provide access to facility and Equipment documentation.

E. Buyer shall provide a schedule of holidays and shutdowns.

ADD

F. BUYER MAY PROVIDE ACCESS TO A COMPUTER FOR NECESSARY TECHNICAL PROGRAMS, EMAIL, ETC...

ADD TO END OF ADDENDUM C

In no event shall such updates to the protection methods materially change Seller's obligations under this Agreement. Seller may terminate this Agreement with five (5) days notice if any changes to protection methods are deemed by Seller to be unacceptable.

DELETE ADDENDUMS D, E, F, G, H, I, AND J

ADD ADDENDUM L:

ADDENDUM L

C4 SIU PRICING AND LEADTIMES

1. C4 PRICING

A. Non-recurring Engineering for each new design shall be $* * * .

B. Should Buyer purchase * * * or more SIUs for a new product at one time, the * * * pricing will apply for those first * * * units............

C. Seller may utilize and ship against the alternate specification for the first * * * SIUs only. Seller will discount the SIU price for the alternate spec. SIUs by * * *%. Alternate specification is defined as not meeting the 100% specification, and * * *.

D. It is expected that all new product designs will be similar in design to those found in the following Design Rules and Probe Layouts, that should eliminate any custom quoting.

E. C4 Pricing Based on Layout complexity and Pin Count

PROBE QUANTITY	CUMULATIVE QUANTITY	LAYOUT 1 AND L2	LAYOUT L3	LAYOUT L4	CUSTOM LAYOUT
* * *	* * *	$ * * *	$ * * *	$ * * *	by quotation
* * *	* * *	$ * * *	$ * * *	$ * * *	by quotation
* * *	* * *	$ * * *	$ * * *	$ * * *	by quotation
* * *	* * *	$ * * *	$ * * *	$ * * *	by quotation
* * *	* * *	$ * * *	$ * * *	$ * * *	by quotation
* * *	* * *	$ * * *	$ * * *	$ * * *	by quotation
* * *	* * *	$ * * *	$ * * *	$ * * *	by quotation
* * *	* * *	$ * * *	$ * * *	$ * * *	by quotation
* * *	* * *	$ * * *	$ * * *	$ * * *	by quotation
* * *	* * *	$ * * *	$ * * *	$ * * *	by quotation
* * *	* * *	$ * * *	$ * * *	$ * * *	by quotation
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* * *	* * *	$ * * *	$ * * *	$ * * *	by quotation
* * *	* * *	$ * * *	$ * * *	$ * * *	by quotation
* * *	* * *	$ * * *	$ * * *	$ * * *	by quotation
* * *	* * *	by quotation	by quotation	by quotation	by quotation

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F. Design Rules and Probe Layouts.

The following illustrations define typical layouts that are referred to in Table 1. These layouts are based primarily on current experiences and * * * designs.

Multiple repetitions of the same pattern (A, B, C, D) in a layout is acceptable. Repetition of a pattern is defined as translation of the pattern to another area of the array. Rotation of a pattern creates a new pattern (ex. pattern C translated and rotated by 45 degrees creates a new pattern). Probe Density Rules must be met.

KEY

A	Uniform pattern (portions may be depopulated, single pattern for the design)
B	Additional pattern(s) and or pitches compared to pattern A
C, D, E, etc.	Additional pattern and or pitch compared to patterns A or B, etc.

[4 graphics here]

- ----------
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2. $* * * MINIMUM ORDER FOR NEW PRODUCT

A. For every new product design, Buyer shall place a minimum order value of $* * *. The minimum order value is comprised of the NRE (non-recurring engineering) cost, and the SIU cost, multiplied by the number of SIUs (sort interface units) purchased. Should Buyer not order enough SIUs to meet the minimum order value, Buyer will still be invoiced for $* * *.

3. SERVICE PRICING

A. Field Service Engineer (FSE) pricing will be at a daily rate of $* * * per 8 hour day. If Buyer and Supplier mutually agree, FSEs may work in excess of 8 hours per day, but no more than 12 hours per day. FSE pricing beyond 8 hours will be at an hourly rate of $* * * per hour.

4. LEADTIMES

A. Leadtimes for C4 First Articles is * * * weeks plus American and/or Japan holidays, as provided by Seller to Buyer each year in advance, and as agreed to between Buyer and Seller.

B. Leadtimes for Buyer C4 forecasted reorders (repeat orders) is * * * weeks. Buyer may expedite forecast reorders for a * * * week through-put time for a * * *% expedite fee, or for a * * * week through-put time for a * * *% expedite fee, subject to Seller's acceptance. Seller shall commit to either the * * * or * * * week expedite at time of order release, and should Seller not meet the expedite time, then no premium shall be paid. Expedited reorders will not count against late deliveries for on time delivery as reported on the Supplier Report Card (only if the reorder is greater than * * * weeks with the reorder count negatively against on time delivery). If an expedited order is delivered in greater than * * * weeks, then Buyer shall only pay for the reorder price (and not the * * *% or * * *% expedite fee).

C. Leadtimes for Buyer C4 un-forecasted reorders (repeat orders) is * * * weeks. Buyer may expedite un-forecasted reorders for a * * * week throughput time for a * * *% expedite fee, subject to raw material in stock or raw materials can be procured in time to meet the expedited schedule. Expedited reorders will not count against late deliveries for on time delivery as reported on the Supplier Report Card (only if the reorder is greater than * * * weeks with the reorder count negatively against on time delivery). If an expedited order is delivered in greater than * * * weeks, then Buyer shall only pay for the reorder price (and not the * * *% expedite fee).

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ADDENDUM M

Procurement Spec. 07-1000-5

1 Title: SIU Procurement Specification

2 Purpose:

2.1 To establish uniform business standards for procurement of Sort Interface Units (SIU).

2.2 To outline the qualification and disqualification process used in selecting suppliers of SIUs.

2.3 To define some of the terminology used in association with ITTO Test Tooling SIU transactions.

3 Scope:

3.1 This specification applies to all SIUs being purchased for use within Intel.

3.2 This specification applies to all suppliers of SIUs.

4 Applicable Forms/Documents

4.1 Drawings/Information through electronic transfer

4.1.1 All Gerber artwork files (RS274x format)

4.1.2 Assembly Drawings/Information (electronic transfer)

4.1.3 Die pad coordinates and tester channel assignments spreadsheet (.XLS)

4.1.4 PRV/ITC (or equivalent SIU analyzer) reference file

4.1.5 Mechanical Drawing (.PDF format)

4.1.6 Data Sheet (.PDF format)

4.1.7 Schematic (.PDF format)

4.1.8 Fab Drawing (.PDF format)

4.2 ITTO Test Tooling Product Catalog

4.3 Relevant Sub Assembly and Electrical Spec

4.3.1 86-2504 Resilient Contact Probe Card Subassembly & Electrical spec. (if applicable)

4.3.2 86-2504 Buckling Beam Probe Card Subassembly & Electrical spec. (if applicable)

4.3.3 Probe Card Subassembly & Electrical spec

4.4 Corporate Non-Disclosure Agreement (CNDA)

4.5 Confidential Information Transmittal Record (CITR)

5 General

5.1 Key Results

5.1.1 Clearly communicate Intel's requirements for SIU physical and functional parameters and supplier qualification process.

5.1.2 Provide an uninterrupted supply of high quality SIUs to Intel's internal production, production support, and development operations.

5.2 Terms and Definitions

5.2.1 Acceptance: Intel verification that an SIU meets specified criteria as outlined in the documents listed in Criteria and Procedure section of this document, and as determined during the incoming inspection.

5.2.2 First Article Inspection: Inspection by ITTO Engineering of the first build by that supplier of a given product.

5.2.3 Incoming Inspection: Standard quality assessment performed when a SIU is received at an Intel site from the supplier.

5.2.4 ITTO Test Tooling: Intel Tooling Operations, Test Tooling - Intel group chartered to coordinate SIU procurement for HVM Intel Factories.

5.2.5 Qualification Types:

5.2.5.1 Conditional Qualification: After the agreed upon First Articles have been accepted by Intel, the supplier becomes conditionally qualified for the technology or technology level under evaluation. During the conditional qualification period, the supplier's volume is restricted to the orders placed to complete the qualification status.

5.2.5.2 Full Qualification: Once all qualification samples have been delivered and the supplier has met the agreed upon success criteria, the supplier reaches full qualification for the technology or technology level evaluated. At this point, Intel may choose to increase order volume based on need.

5.2.6 SIU: Sort Interface Unit, (a.k.a. probe card).

5.2.7 Supplier: Any manufacturer which provides production ready test tooling (SIUs, etc.) to Intel.

5.2.8 Technology, Technology Level: Details are in Intel Product Requirement Docs (PRD). Access to PRD information through ITTO Engineering

Examples:

A. SIUs and cantilever style SIUs are different technologies.

B. 237 um pitch and 225 um pitch SIUs are different technology levels.

6 Policy/Procedure

6.1 Supplier Qualification

6.1.1 Before initializing discussions with any prospective supplier (and sub-supplier where necessary), the Intel purchasing representative will execute the appropriate Corporate Non-Disclosure Agreement (CNDA) with the supplier. All information communicated will be outlined in a supplementary Confidential Information Transmittal Record (CITR).

6.1.2 ITTO Test Tooling and purchasing will meet with the prospective supplier to discuss Intel specifications and requirements. Topics will include, but will not be limited to: SIU specifications, supplier volume, delivery capabilities and other business considerations, supplier process controls and quality assurance methodology, and future technology support.

6.1.2.1 If, in Intel's opinion, the prospective supplier appears unlikely to be able to satisfy Intel's short and/or long term needs, Intel may terminate the evaluation with no prejudice to the supplier.

6.1.2.2 Intel reserves this right, independent of whether factors are under the supplier's control, or whether the factors are subjective or quantitative in nature.

6.1.3 Each technology and/or technology level may require a separate qualification.

6.1.4 Intel and the supplier will negotiate an agreement on terms for delivery of first article goods for evaluation. This should include pricing, delivery schedule, and first article product.

6.1.5 Qualification parameters will be established based on the criteria outlined in section 6.3.

6.1.5.1 Success criteria for these parameters will be defined (depending on the parameter) using a combination of distribution matching to requirements (mean, standard deviation), pass/fail criteria or meeting spec ranges.

6.1.5.2 Qualification Parameters, Success Criteria and sample size will be negotiated and established between Intel and Supplier prior to beginning conditional qualification.

6.1.5.3 The first article sample shall include one or more SIUs. The exact number is to be determined during negotiation, and may be dependent on the nature of the product.

6.1.5.4 The requirements of the first article sample(s) will be validated against the relevant first article checklist.

6.1.6 Intel will provide the supplier with all drawings and documentation necessary to build the first article SIUs to the necessary specifications. This information transmittal must be accompanied by a CITR signed by both parties.

6.1.7 Upon receipt of supplier's first article SIU(s), Intel will evaluate the card(s) according to the criteria outlined in section 6.3.

6.1.8 If the first article SIUs meet Intel approval according to the criteria listed herein, the supplier will be deemed "Conditionally Qualified" on that product. The supplier will remain in conditional qualification status until such time as all full qualification criteria have been demonstrated.

6.1.8.1 Samples must exhibit 100% conformance to acceptance criteria directly affecting functionality to allow supplier to achieve conditional qualification.

6.1.8.2 During conditional qualification, samples exhibiting 100% conformance to acceptance criteria will be shipped to customers.

6.1.8.3 Non-conformance to criteria not directly affecting functionality, such as artwork, documentation and packaging, will not prevent the supplier from achieving conditional qualification, however, conformance to these items individually must be demonstrated prior to acceptance of the SIU.

6.1.9 If the First Article SIU(s) do not meet the criteria listed herein, Intel will inform the supplier in writing, indicating which criteria were deficient, and to what degree, and the SIU(s) will remain with the supplier. (Intel also reserves the right to determine (based on the root cause and correction) if the data from failing sample(s) will be included in the full qualification.)

6.1.10 The supplier has the option to either withdraw itself from the qualification process, to repair, or to re-submit another sample. Supplier must notify Intel in writing of intent within ten business days from Intel notification of sample deficiency. Any repairs or re-submissions will be completed by the supplier at no additional cost to Intel.

6.1.10.1 If the supplier chooses to re-submit another sample, it must address the deficient criteria from the first sample with a written explanation and corrective action report.

6.1.10.2 If the supplier chooses to repair and resubmit the same sample, a corrective action report must be submitted along with the intent letter, and Intel must approve the corrective action prior to delivery of the repaired SIU.

6.1.10.3 If the supplier chooses to withdraw itself from the qualification process, the supplier will not be eligible to attempt qualification on the same product, technology, or technology level until they are able to present clear and convincing evidence that they have completed a corrective action plan, and that the stated deficiency is corrected. The supplier will, however, remain eligible to attempt qualification for other technologies or technology levels.

6.1.11 Failure to meet specified criteria during a qualification will have no effect on the qualification status of the supplier for any other product type, technology, or technology level on which they are currently qualified by Intel.

6.1.12 Conditional Qualification will continue until Intel has accepted the appropriate sample size to allow Intel to statistically verify performance to the qualification line items outlined in section 6.3.

A. For those parameters with statistical success criteria, qualification must demonstrate supplier is statistically equal to or better than existing supplier distributions for the equivalent technology, technology level under evaluation.

B. For those parameters with statistical success criteria but no baseline exists, the supplier will be evaluated against the specification target and specification window for the technology, technology level, under evaluation.

6.1.13 The sample size used for qualification is dependent on the minimum detectable difference in means, (alpha) (alpha), and (beta) (beta) as defined by ITTO Test Tooling to determine success criteria. Typically, the (delta) (delta) = 1.5 standard

deviations and (alpha) (alpha) = (beta) (beta) = 0.05. Standard deviation

(assessment of the spread of the data) may also be evaluated, but will not determine sample size. Under special circumstances, Intel reserves the right to either increase or decrease sample size and/or delta. The sample size and delta will be communicated to the supplier during initial qualification discussions.

6.1.14 Upon meeting the success criteria, the supplier will achieve full qualification status for that product type, technology, or technology level. The supplier will be notified in writing.

6.1.15 Changes to the product form, fit, or function, initiated either by Intel or by the supplier, can result in:

A. PRE QUALIFICATION: Qualification sample plan may be restarted.

B. POST QUALIFICATION: Return to conditional qualification status on that product type or technology level.

6.1.15.1 Changes noted above will be evaluated on a case by case basis for applicability of this requirement. The supplier will be notified in writing of this action.

6.2 Supplier Disqualification

6.2.1 In situations where a supplier has exhibited repeated quality issues which create an environment of unpredictable SIU supply, Intel reserves the right to apply the conditional qualification status to ensure corrective action. Because such a situation depends on a variety of factors (i.e.; volume, production conditions, lead times, etc.), this action will be carefully reviewed with the supplier prior to being taken.

6.2.2 If a supplier is disqualified, they may not re-qualify on the same technology level unless they are able to present clear and convincing evidence that they have completed a corrective action plan, and that the stated deficiency has been corrected.

6.3 Criteria and Procedure

6.3.1 General

6.3.1.1 In the event of conflict between information in this specification or specification 86-2504, and that of other applicable procurement documents, the precedence in which requirements shall govern, in descending order, is as follows:

A. Written ECO's, letters, waivers, or faxes which clarify the purchase order.

B. Intel Purchase Order

C. The Data Sheet

D. Reference Documents specified in the Data Sheet.

E.g.; the Fab Drawing, the Electrical Assembly Drawing, and ECO's.

F. This spec, & the relevant Subassembly & Electrical Spec.

G. Design Rules

6.3.1.2 In all cases where a specified criterion or requirement is to be waived in the order or delivery of a SIU, the waiver must be documented for record keeping at ITTO Test Tooling.

6.3.1.3 The supplier must provide Intel written notification and Intel must issue a written waiver (or change required documentation) before changing any part of the form, fit, or function of a SIU, packaging, or any aspect of the business arrangement between the supplier and Intel.

6.3.1.4 Intel will notify the supplier of SIU acceptance or rejection in writing, within 21 calendar days from the time of shipment.

6.3.2 Printed Circuit Board

6.3.2.1 All physical dimensions and tolerances must be achieved as specified in the appropriate fabrication/assembly drawings.

6.3.2.2 All specified on-board discrete components (capacitors, resistors, EPROMs, etc.) must be present and functional as specified in the appropriate assembly drawings.

6.3.2.3 Each SIU must have securely (or permanently) and legibly marked upon it an alpha-numeric identifier which is unique to that SIU. This identifier must be included on all documentation delivered with the SIU. This identifier is for Intel tracking, and does not replace supplier's existing process specific serialization, if any. Alpha- numeric identifier must conform to Intel requirements as defined by Intel purchase order.

6.3.3 Sub-Assembly/Electrical requirements - See the relevant Subassembly and Electrical Specification.

6.3.3.1 SIUs must pass all required criteria while attached to the same fixture ring (if any required) with which it will ship.

6.3.4 Packaging

6.3.4.1 Packaging must consist of rigid outer materials sufficient to prevent collapse onto the SIU due to:

- Pressure from cushioning within shipping carton

- Free fall drop at any orientation from height of 48" while in shipping carton

- Normal handling throughout lifetime

6.3.4.2 Package must include a secure mechanism or design which prevents package from opening, or SIU from dislocating within the package, during shipping. Sealing method must be able to withstand a 48" free fall drop at any orientation while in shipping carton.

6.3.4.3 Rigid SIU package must be sealed within at least one flexible bag throughout shipping to prevent migration of shipping package materials into the SIU package.

6.3.4.4 A removable cover must be provided which prevents contact with the sub-assembly during SIU handling.

6.3.5 Material Quality: See the relevant Subassembly and Electrical Specification.

6.3.6 Documentation

6.3.6.1 All documentation must contain the unique identification number of the SIU to ensure traceability.

6.3.6.2 Supplier will comply with ITTO Test Tooling transaction and documentation procedures. These will be outlined and monitored through supplier/ITTO business meetings.

7 Responsibilities

7.1 It is the supplier's responsibility to meet the SIU product quality and functionality requirements defined in this document, regardless of the level of inspection performed at Intel prior to use, or at the supplier site prior to shipment.

7.2 Required supplier deliverables consist of the following:

7.2.1 Hardware:

7.2.1.1 Complete and functional SIU tested and verified as meeting Intel's specified criteria.

7.2.2 Documentation:

7.2.2.1 Probe layout (or graphic representation of probe alignment data)

7.2.2.2 SIU analyzer inspection results on 3.5" diskette in agreed upon format.

7.2.2.3 SIU inspection criteria (e.g.; checklist indicating SIU passed outgoing inspection).

7.3 It is the responsibility of ITTO Test Tooling to manage quality, form, fit, and function of additional components defined by Intel that are outside of the supplier's direct control (e.g. fixtures, shipping containers).

7.4 It is the responsibility of the ITTO Test Tooling Quality Group to ensure that the outgoing inspection methodology and metrology of any supplier is such that there is a close correlation between the supplier's outgoing quality assessment of a product, and Intel's incoming inspection.

7.5 It is the responsibility of the ITTO Test Tooling Engineering Group to ensure that any change to the design or function of a SIU, or any SIU from a prospective supplier which possesses a new design or new materials, is first evaluated to verify that it meets specified requirements.

7.6 It is the responsibility of the supplier to immediately notify Intel if a discrepancy, misunderstanding, or ambiguity is located in any of the documentation required to manufacture the SIU.

7.7 Change Control:

7.7.1 Supplier generated change requests will be co-managed utilizing an agreed upon supplier change control system.

7.7.2 Supplier Responsibility:

7.7.2.1 Notify Intel in writing under CITR, at least two weeks prior to making any change in the materials used in manufacturing Intel products included in his specification. Any test data regarding material performance, reliability, environmental impact, etc. must be made available to Intel upon request before the change takes place.

7.7.3 ITTO Responsibilities:

7.7.3.1 Ensure that any change to the design or function of a probecard or any probecard from a prospective supplier which possesses a new design or new materials is first evaluated to verify that it meets specified requirements.

7.7.3.2 Respond to Supplier in a timely manner as to status and approval for change requests.

8 Spec. History

8.1 rev. 0.0: Original author collaboration by Chad Wall & Bill Dediego. Spec 07-1004 to replace and supercede 07-1003 and any other 07-XXXX purchasing specification.

8.2 rev. 1.0: Modification by Douglas Kim to cover both SIU types: 1) epoxy needle 2) resilient contact. Spec owner now Bill Dediego & Grace Tam. Spec 07-1004 to replace and supercede 07-1003 and any other 07-XXXX purchasing specification.

8.3 Rev. 2.0: Modification by Bill DeDiego to add buckling beam. And Spec. 07-1000-5 to supercede all previous specs..

8.4 Rev. 3.0: Add datasheet, schematic, mechanical drawing, fab drawing to 4.1. Remove 4.1.2 and 4.1.6. Correct misspelled words.

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ADDENDUM N

X60 RC Subassembly/Electrical Spec.

1.1 86-2504 Resilient contact c4 array SIU subassembly & electrical specification

1.2 PURPOSE:

The purpose is to clearly state all current physical and electrical requirements for probe cards purchased by Intel to support C4 activities.

1.3 SCOPE:

This spec applies to all resilient contact C4 array probe cards purchased by Intel.

1.4 Reference Documents:

1. Spec * * * C4 Array SIU Procurement

2. * * * files (* * * Format)

3. * * * files (if * * * format)

4. Assembly Drawings/Information (electronic transfer)

5. Die Pad coordinates and tester channel assignment spreadsheet (.XLS)

6. ITC (or equivalent SIU analyzer) reference file

7. PCB Fabrication Drawing (.DXF or RS274)

\ SECTION "2.0 process:"

2.1.1 Process Reference Items, for C4 Array Resilient Contact probe card requirements are listed below. Values in parenthesis are in mils unless otherwise noted:

Process Reference Items	* * * C4 Array	* * * C4 Array	* * * C4 Array
Minimum Bump Pitch Shrink	* * *	* * *	* * *
Maximum Overdrive Shrink	* * *	* * *	* * *

2.1.2 Required Items, for C4 Array Resilient Contact probe card requirements are listed below. Values in parenthesis are in mils unless otherwise noted:

- ----------

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Required Items	* * * C4 Array	Measurement Method at Outgoing
Components / BOM	* * *	Optical/Ohmmeter / BSL Roboprobe System
Contact Force	* * *	Current: Kmapper Future: * * *
Keep out areas	No components	Optical
Keep out Requirement Spring Design	* * *	Current: PB3000
Leakage (AT 5 Volts DC)	Signal Probes: * * * Power Supply Probes: * * *	Current: PB30000 & Bench Leakage Test Future:
Path Resistance (Includes C-Res)	* * * - signal probes * * * - single power supply probe	Current: PB3000 Future:
PCB Characteristics	Impedance * * * Hole posit/diameter per PCB fab drawing. PCB * * *.	PCB Supplier TDR optical and/or CMM (Coord Meas Machine) Visual + Mount on PC3000

- ----------

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Probe Angle	As per Data Sheet using orientation convention definition (+-TBD Deg)	Optical Microscope and/or PB3000
Probe Blade Tip Height	* * *	Current: TBR
Probe Blade Tip Length	* * *	Current: TBR
Probe Depth	* * * (Future Tgt/Range TBD)	Current:PB300 and/or Optical Scope
Probe Tip Alignment	* * *	Current: View Eng and/or ITC PB3000
Probe Tip Diameter	* * *	Current: View Eng and/or ITC PB3000
Probe Tip Optical usability	Must be able to be recognized by the Prober vision system	Tel P8I Prober
Probe Tip Planarity Post Tilt Correction (1st to last probe)	Maximum * * *	Current: Tel Prober and ITC PB3000
Probe Tip Planarity (Least Squares Fit) Pre Tilt Correction (Used when supplier does not do tilt correction)	Maximum * * *	Review H Map Data
Probe Tip Thickness	* * * Minimum: TBD Future Tgt: TBD)	Tencor Profilmeter
Probe Type (Spring)	* * * unless otherwise noted on Data Sheet	Optical Microscope
Space Transformer	* * *	Sp Xfmr Supplier CFC (TDR)

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Impedance		measurement)
Wire Check	All probes must demonstrate proper connectivity	Current: ITC PB3000

2.1.3 Key Results, for Material Quality Requirements are listed below:

Item/Allowance
Item/Allowance
* * *
* * *
* * *
* * *
* * *
* * *
* * *
* * *
* * *

2.1.4 Materials must be able to maintain specified physical tolerances when acclimatized and measured in the following environmental conditions listed below:

Condition	Limit
Temperature	* * *
Humidity	* * *

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\ SECTION "3.0 equipment & materials: N/a"

METROLOGY PERFORMANCE REQUIREMENTS:
P/T = * * *.

\ SECTION "4.0 safety: n/a"

\ SECTION "5.0 pre-procedure: n/a"

\ SECTION "6.0 procedures: n/a"

\ SECTION "7.0 shutdown/start-up: n/a"

\ SECTION "8.0 problem resolution: n/a"

\ SECTION "9.0 maintenance: n/a"

\ SECTION "10.0 drawings/schematics: n/a"

\ SECTION "11.0 supplemental:"

11.1.1 Probe Card Physical Characteristics:

Term	Definition
Braze	Process of soldering probe tips to the springs using a * * *
Die Coordinates Relative to PCB (S9K) (Graphic available from ITO)	The coordinate system specified by the designer should be oriented relative to the * * *. If the viewing position is correct, there will be * * *. The origin of the die should be the * * *.

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Discrete Components	* * *
Hardware	* * *
Interposer	Temporary interconnect between the space transformer and the PCB.
PCB Signal Trace	Electrical path on the printed circuit board from tester electrical contact point to the interposer connection point.
PCB Flatness	Planar conformance of the probe card printed circuit board. * * *
PCB Thickness	Nominal distance from the top to the bottom of the probe card printed circuit board. * * *
Probe Array Rotation (Graphic available from ITO)	The angle between the probe array X-Y axis and the probe card printed circuit board X-Y axis. * * *
Probe Card Assembly	The assembled probe card including printed circuit board, interposer, space transformer subassembly, and applicable mounting hardware.
Probe Depth	* * *
Probe Spring Angle Orientation Convention Convention	Specified in the above defined Die Coordinates relative to PCB system (See Definition above) * * *

- ----------

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(Graphic available from ITO)	
Probe Tip Planarity Least Squares Fit (Pre Tilt Correct)	* * * (Draft Definition)
Probe Tip Planarity (After Tilt)	* * *
Probe Tip Positional Alignment	* * *
Signal Path	Electrical path of the probe card assembly from the tester electrical contact point to the probe tip.
Space Transformer	Electromechanical component to which the probes are attached which maps the probe pitch to the PCB pitch.
Space Transformer Sub-Assembly	The assembly which includes the space transformer and probe array.
Spring|Type	* * * (Characteristics): Generally used for * * * Height xx mil Length xx mil Type 2 (Characteristics): Generally used for * * * Height xx mil Length xx mil * * * (Characteristics): Generally used for * * * Height * * * mil Length xx mil
Tester Electrical Contact Point	Location on the printed circuit board where the tester signal and power channels contact the printed circuit board.

- ----------

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Tip Diameter	* * *

11.1.2 Probe Card Functional Aspects:

Term	Definition
Overdrive (Maximum)	* * *
Overdrive (Target)	* * *
PCB Characteristic Impedance	Characteristic * * * impedance of the probecard printed circuit board signal trace. * * *
Probe Leakage	Maximum current from one tester electrical contact point to all other tester electrical contact points (* * *).
Probe Tip Horizontal Movement (a.k.a. scrub)	Horizontal distance a probe tip moves across a contacted surface in response to * * *.
Signal Path Resistance	Total series resistance of the signal path. * * *

11.1.3 Defects

Term	Definition

- ----------
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Lifted Trace or Layer	* * *
Probe- Bent, Broken	* * *
Probe Tip Missing	* * *
Probe Tip Misalign	* * *

\ SECTION "12.0 automation/recipes: n/a"

\ SECTION "13.0 spec history:"

Rev No.: 0
Spec Owner: S. Ongchin
Author of Change: S. Ongchin
Changes to Section: ALL
Reason/Change: Creating * * * Spec

Rev No.: 1
Spec Owner: K. Karklin
Author of Change: C. Wall
Changes to Section: Reordered Tables alphabetically. Multiple changes for improving clarification of the Rev 0 specification. Also changed to Resilient Spring C4 Array Sub Assembly and Electrical spec to allow generic use regardless of generation. Eliminated section regarding change control policy and responsibility. Will add this to the procurement spec where it belongs. Combined Components and continuity rows in the spec section for clarity. Added PCB trace "AND LAYERS" in PCB lifted trace sections. Only specification changes were:

1) elimination of designed overdrive (* * *)

2) addition of maximum overdrive (* * *).

3) Changed *** C4 Array Shrink pitch from * * * to * * *

4) Changed *** C4 Array pitch from * * * to * * *

5) Changed *** C4 Array pitch from TBD to * * *

6) * * *

7) * * *

8) Clarified Leakage spec to be at * * * and added * * *.

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All other changes were for definitions or formatting.

Reason/Change: Improvement of document clarification for internal intel and suppliers.

Rev No.: 2
Spec Owner: E. Chuh
Author of Change: E. Chuh
Changes to Section: ALL
Reason/Change: Creating * * * Spec

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AMENDMENT O TO

CAPITAL EQUIPMENT AND SERVICE AGREEMENT

BETWEEN

INTEL CORPORATION

AND

FORMFACTOR INC.

INTEL AGREEMENT NUMBER C-5673

AMENDMENT EFFECTIVE DATE: 1-22-01

WHEREAS, Intel and FormFactor Inc. (Supplier), have entered into a Purchase Agreement, Agreement No. C-5673 (hereinafter called "Agreement") dated 1-08-01, and

WHEREAS, both parties wish to amend the Agreement to include modified Confidentiality and Publicity language as described in this Amendment O Attachment.

THEREFORE, for valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties agree as follows:

1. PRE-ESTABLISHED TERMS

All terms and conditions of the Agreement remain in full force and effect and apply to this Addendum, unless specifically modified below.

2. AGREEMENT MODIFICATIONS

AGREED: TO INCLUDE ATTACHMENT `ADDENDUM O EFFECTIVE FROM 1/22/01'

INTEL CORPORATION	FORMFACTOR INC.
By: /s/ Bill deDiego	By: /s/ Larry Anderson
Bill deDiego	Larry Anderson
(Printed Name)	(Printed Name)
Commodity Manager	Director, Sales
(Title)	(Title)
1-22-01	1-22-01
(Date)	(Date)

ADDENDUM O
CONFIDENTIALITY AND PUBLICITY

Change 12.B. Confidentiality and Publicity in the GENERAL TERMS AND CONDITIONS OF PURCHASE AGREEMENT -- CAPITAL EQUIPMENT AND SERVICES form:

B. Neither party may use the other party's name in advertisements, news releases, publicity statements, financial statement filings (unless in areas specifically required to meet General Accepted Accounting Principles (GAAP) or Securities Exchange Commission (SEC) filing requirements or disclose the existence of this Agreement, nor any of its details or the existence of the relationship created by this Agreement, to any third party without the specific, written consent of the other. If disclosure of this Agreement or any of the terms hereof is required by applicable law, rule, or regulation, or is compelled by a court or governmental agency, authority, or body: (i) the parties shall use all legitimate and legal means available to minimize the disclosure to third parties of the content of the Agreement, including without limitation seeking a confidential treatment request or protective order; (ii) the disclosing party shall inform the other party at least ten (10) business days in advance of the disclosure; and (iii) the disclosing party shall give the other party a reasonable opportunity to review and comment upon the disclosure, and any request for confidential treatment or a protective order pertaining thereto, prior to making such disclosure. The parties may disclose this Agreement in confidence to their respective legal counsel, accountants, bankers, and financing sources as necessary in connection with obtaining services from such third parties. The obligations stated in this section shall survive the expiration or termination of this Agreement.

Change to:

B. Neither party may use the other party's name in advertisements, news releases, publicity statements or financial statement filings, or disclose the existence of this Agreement, nor any of its details or the existence of the relationship created by this Agreement, unless such disclosure is reasonably required to meet General Accepted Accounting Principles (GAAP) or Securities Exchange Commission (SEC) filing requirements, to any third party without the specific, written consent of the other, which consent shall not be unreasonably withheld. If disclosure of this Agreement or any of the terms hereof is required by applicable law, rule, or regulation, including SEC filing requirements, or is compelled by a court or governmental agency, authority, or body: (i) the parties shall use all reasonable legitimate and legal means available to minimize the disclosure to third parties of the content of the Agreement, including without limitation seeking a confidential treatment request or protective order; (ii) the disclosing party shall inform the other party at least five (5) business days in advance of the disclosure; and (iii) the disclosing party shall give the other party a reasonable opportunity to review and comment upon, in any event within two (2) business days following being provided with the relevant information and documents, the disclosure, and any request for confidential treatment or a protective order pertaining thereto, prior to making such disclosure. The parties may disclose this Agreement in confidence to their respective legal counsel, accountants, bankers and financing sources as necessary in connection with obtaining services from such third parties. The obligations stated in this section shall survive the expiration or termination of this Agreement.

AMENDMENT TO P

CAPITAL EQUIPMENT AND SERVICE AGREEMENT

BETWEEN

INTEL CORPORATION

AND

FORMFACTOR INC.

INTEL AGREEMENT NUMBER C-05673

AMENDMENT EFFECTIVE DATE: 4-1-01

WHEREAS, Intel and FormFactor Inc. (Supplier), have entered into that certain Capital Equipment and Service Agreement, Agreement No. C-05673 (hereinafter called "Agreement") dated 1-08-01, and

WHEREAS, both parties wish to amend the Agreement to include modified Confidentiality and Publicity language as described in this Amendment P attached hereto.

THEREFORE, for valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties agree as follows:

1. PRE-ESTABLISHED TERMS

All terms and conditions of the Agreement remain in full force and effect and apply to this Addendum, unless specifically modified below.

2. AGREEMENT MODIFICATIONS

AGREED: TO INCLUDE ATTACHMENT `ADDENDUM P EFFECTIVE FROM 4/1/01'

INTEL CORPORATION	FORMFACTOR INC.
By: /s/ Bill deDiego	By: /s/ David Browne
Bill deDiego	David Browne
(Printed Name)	(Printed Name)
Commodity Manager	Technical Sales Manager
(Title)	(Title)
4-23-01	4-23-01
(Date)	(Date)

ADDENDUM P
PRICE REDUCTION

(1) Effective with all orders shipped starting 4/1/01, Supplier shall reduce Addendum L pricing by * * *%.

(2) The * * *% price reduction will be valid through * * *, however there shall be a * * *-month check point. If the "downturn" has subsided at * * *, then the * * *% price reduction shall be eliminated.

(3) Supplier hereby * * *.

(4) In * * *, FFI will provide * * * per quarter if the previous quarter's OTD * * *.

- ----------
*** Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately.

AMENDMENT TO Q

CAPITAL EQUIPMENT AND SERVICE AGREEMENT

BETWEEN

INTEL CORPORATION

AND

FORMFACTOR INC.

INTEL AGREEMENT NUMBER C-05673

AMENDMENT EFFECTIVE DATE: 3-1-01

WHEREAS, Intel and FormFactor Inc. (Supplier), have entered into that certain Capital Equipment and Service Agreement, Agreement No. C-05673 (hereinafter called "Agreement") dated 1-08-01, and

WHEREAS, both parties wish to amend the Agreement to include modified Confidentiality and Publicity language as described in this Amendment P attached hereto.

THEREFORE, for valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties agree as follows:

1. PRE-ESTABLISHED TERMS

All terms and conditions of the Agreement remain in full force and effect and apply to this Addendum, unless specifically modified below.

2. AGREEMENT MODIFICATIONS

AGREED: TO INCLUDE ATTACHMENT `ADDENDUM Q EFFECTIVE FROM 9/3/01'

INTEL CORPORATION	FORMFACTOR INC.
By: /s/ Bill deDiego	By: /s/ David Browne
Bill deDiego	David Browne
(Printed Name)	(Printed Name)
Commodity Manager	Technical Sales Manager
(Title)	(Title)
9-24-01	9-3-01
(Date)	(Date)

ADDENDUM Q
PRICE REDUCTION

(1) Effective with all new product design purchase orders submitted by Buyer to Seller after 9/3/01, the minimum order value shall be $* * *.

(2) The * * *% price reduction that is noted in Addendum P will be valid through * * *.

(3) Effective with all new product designs purchase orders submitted by Buyer to Seller after 9/3/01, the * * * price shall be $* * *.

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* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately.

EXHIBIT 10.27
CONFIDENTIAL TREATMENT REQUESTED

FORMFACTOR, INC.

PRODUCTION AND DEVELOPMENT
MATERIALS AND SERVICES
PURCHASE AGREEMENT

BUYER:	SELLER:
FormFactor, Inc.	Harbor Electronics, Inc.
2140 Research Drive	3021 Kenneth Street
Livermore, CA 94550	Santa Clara, CA 95054
Contact: Mark Zeni	Contact: Tim McNulty
Phone: 925-456-7302	Phone: 408-988-6544
Fax: 925- 29-8145	Fax: 408-988-2948

Product(s):	Items and Services as identified on Schedule A, and consistent with the specifications of Schedule B.
Pricing:	As identified on Schedule C.
Purchase Orders:	Buyer may purchase and Seller shall accept all Purchase Orders for Items, Custom Items and Services in accordance with the prices and the terms and conditions contained in this Agreement.
Terms and Conditions:	Any and all Purchase Orders, as may be issued by the Buyer, shall reference this Agreement and be governed solely by the terms and conditions of this Agreement notwithstanding any terms and conditions on Seller's acknowledgment or Buyer's Purchase Order. Any additional or different preprinted terms as may be contained in Seller's documents are hereby deemed to be material alterations, and Buyer hereby gives notice of objection to and rejection of such material alterations.
Term:	Two (2) years from the Effective Date
CNDA No.:	HAR 9903

In consideration of the mutual promises and obligations contained within this Production and Development Materials and Services Purchase Agreement (this "Agreement"), FormFactor, Inc. (hereinafter "Buyer" or "FormFactor") and Harbor Electronics, Inc. (hereinafter "Seller" or "Harbor") (Buyer and Seller are also referred to individually as a "Party" and collectively as the "Parties"), agree as set forth above, in the accompanying General Terms and Conditions of Purchase Agreement, and in the appended Schedules, and hereby have caused this Agreement to be duly and validly executed and in full force and effect as of the date of full execution ("Effective Date").

FormFactor, Inc.	Harbor Electronics, Inc.
By: /s/ Mark Zeni	By: /s/ Tim McNulty
Name: Mark Zeni	Name: Tim McNulty
Title: VP Supply Chain	Title: General Manager
Dated: 04/17/02	Dated: 04-17-2002

- ----------
* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

GENERAL TERMS AND CONDITIONS OF
PRODUCTION AND DEVELOPMENT MATERIALS AND SERVICES
PURCHASE AGREEMENT

ARTICLE 1. DEFINITIONS

In addition to the parenthetical definitions provided in this Agreement, the following terms shall have the following meanings:

1.1 "CUSTOM ITEMS" mean those Items manufactured by Seller for sale exclusively to Buyer. It is understood that Buyer owns all intellectual property rights in the design of Custom Items.

1.2 "DELIVERY POINT" means 2140 Research Drive, Livermore, CA 94550, or such other location as may be identified by Buyer.

1.3 "HAZARDOUS MATERIALS" mean dangerous goods, chemicals, contaminants, substances, pollutants or any other materials that are defined as hazardous by relevant local, state, national, or international law, regulations and standards.

1.4 "ITEMS" means either singly or collectively, as the context indicates, those products, product components, hardware, spare parts and Custom Items as identified on Schedule A hereto (and as may be modified in the future by the mutual agreement of the Parties), and any and all upgrades, retrofits, modifications, and enhancements thereto, which Seller is to sell to Buyer as set forth in this Agreement.

1.5 "LEAD-TIME" means no less than * * * calendar days from the date a Purchase Order is issued for an Item to the date the Item is to be received by the Buyer at the Delivery Point.

1.6 "PRODUCT SPECIFICATION" means the specification for each Item purchased or to be purchased pursuant to this Agreement, as set forth in Schedule B hereto, and as the Parties may mutually agree to modify from time to time.

1.7 "PURCHASE ORDER" means Buyer's purchase order or change order to ship a definite quantity of Items or to provide Services to a specified schedule.

1.8 "SERVICES" means the work to be performed by Seller as identified on Schedule A.

ARTICLE 2. TERM AND MANUFACTURING AND SERVICE ACTIVITIES.

2.1 Term and Effective Date. The Term and Effective Date of this Agreement are as set forth on the executed cover sheet. The Term shall renew automatically for consecutive two (2) year periods after the expiration of the initial 2-year period, unless a party gives written notice of the intent not to renew at least one hundred and eighty (180) days prior to the expiration of the then-current Term.

2.2 Manufacturing Capability. During the Term, Seller agrees to establish and have in place at its expense those facilities, manufacturing and test equipment and labor necessary to manufacture Items as required by Buyer consistent with the terms and conditions of this Agreement. Seller shall exercise its commercially reasonable best efforts to manufacture Items in a timely manner in accordance with the applicable Product Specification in such quantities as required by Buyer.

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*** Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as ***** A complete version of this exhibit has been filed separately with the Securities Exchange Commission.

2.3 Services. During the Term, Seller agrees to exercise its commercially reasonable best efforts to provide Services as required by Buyer consistent with the terms and conditions of this Agreement.

2.4 Technical Assistance. Each Party agrees to provide the other with such technical assistance reasonably necessary to facilitate the manufacture of Items and/or the rendering of Services. Each Party shall bear and be solely responsible for the fees and costs associated with such technical assistance.

ARTICLE 3. PRICING

3.1 Pricing. Prices for Items and Services are as set forth in Schedule C hereto. It is understood that the Schedule C prices shall be reviewed by Buyer and Seller every * * *.

3.2 Low Price Commitment. Throughout the term of this Agreement and any extensions thereto, Seller warrants to Buyer that the Schedule C prices, in conjunction with the discounts offered herein for any Item or equivalent Service, reflect the Seller's lowest price charged any customer of Seller for Items or Service of similar complexity and volume, regardless of any special terms, conditions, rebates or allowances of any nature. If Seller sells any comparable Item or provides equivalent Services to any other customer at a price less than the price set forth in this Agreement or any addendum or amendment, Seller shall adjust its price to the lower price for all future invoices for such Item or Service and rebate to Buyer an amount equal to the difference in the price paid by Buyer and the lower price for any invoices already paid by Buyer for such Item or Service. In addition, Buyer may adjust the prices for any Item or Service invoiced by Seller and unpaid by Buyer to reflect the lower price. Each of the above adjustments and the rebate shall be calculated from the date the Seller first sells the Item or Service at the lower price. In the event the Seller offers a lower price either as a general price drop or to specific customer(s) for any reason, Seller shall immediately notify Buyer of this price and adjust Buyer's pricing to meet the new pricing structure.

3.3 Inspection Right. Buyer has the right, once each calendar quarter, to appoint an independent third party of it's choice and it's expense, to inspect and audit Seller's records to ensure compliance with this Agreement

3.3.1 Buyer shall disclose the auditor's report to Seller and, if Seller disagrees with the auditor's report for any reason, Seller shall have the right to issue a letter in response, which letter shall detail the specific reasons for Seller's disagreement and shall be provided to Buyer within twenty (20) days of receipt of the auditor's report.

3.3.2 If discrepancies are found during the audit and price adjustments are required to be paid by the Seller to the Buyer, Seller shall reimburse Buyer for all costs associated with the audit, along with a single payment or credit towards future orders covering the price adjustments within thirty (30) days after the completion of the audit. The results of such audit shall be kept confidential by the auditor and only Seller's failures to abide by the obligations of this Agreement, and the details of such failure(s), shall be reported to Buyer. In the event Seller reasonably and in good faith disputes the audit results consistent with Section 3.3.1, and the Parties are unable to agree as to the auditor's report, the procedures of Section 19.2 shall be implemented.

3.3.3 Seller will maintain complete and accurate records of the Services performed under this Agreement for a period of three (3) years after the completion of these Services. Records relating to the performance of this Agreement shall be made available to Buyer upon reasonable notice.

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3.4 Taxes. Applicable taxes and other charges such as duties, customs, tariffs, imposts, and government-imposed surcharges shall be paid for by Seller without reimbursement from Buyer as part of the purchase price for Items and Services. In the event that Buyer is prohibited by law from remitting payments to the Seller unless Buyer deducts or withholds taxes therefrom on behalf of the local taxing jurisdiction, then Buyer shall duly withhold such taxes and shall remit the remaining net invoice amount to the Seller. Buyer shall not reimburse Seller for the amount of such taxes withheld.

3.5 No Additional Costs. Additional costs, except those provided for herein or specified in a Purchase Order, will not be reimbursed without Buyer's prior written approval.

3.6 U.S. Dollars. All prices are in U.S. dollars and quoted delivered to the Delivery Point.

ARTICLE 4. PURCHASE ORDERS AND FORECASTS.

4.1 Issuance of Purchase Orders. Buyer may issue Purchase Orders to Seller identifying: (i) the Items to be purchased and consistent with Schedules A and C, respectively; (ii) the Lead-time(s) for the Items; (iii) the date received at the Delivery Point; and/or (iv) the Services requested, fee, and the timing for the same.

4.2 Forecasts. By the tenth (10th) day of each month, Buyer shall supply to Seller a forecast setting forth Buyer's anticipated purchases of Items in each month for the proceeding * * * month period ("Rolling Forecast"). The Rolling Forecast is provided to Seller for planning purposes only and neither constitutes a firm commitment from Buyer to purchase a specific number of Items, nor a Purchase Order. Buyer shall modify the Rolling Forecast in the event it determines that it is not a reasonably accurate forecast of Buyer's anticipated purchases of Items, but Buyer shall have no obligation to and may, at its sole discretion, issue Purchase Orders under this Agreement. Buyer shall be responsible only for Items or Services for which it has issued Purchase Orders hereunder, subject to the provisions of Articles 5 and 6.

ARTICLE 5. INVOICING AND PAYMENT.

5.1 Invoicing. Seller shall include an Item invoice ("Invoice") with every shipment of Items or after rendering of Services, as the case may be, which includes the following information: (i) list of Items shipped (or Services rendered, including dates); (ii) a description consistent with any applicable tariff schedule requirements; (iii) a statement of the country of origin of the Items; (iv) the Item code/designation; (v) list of all U.S. Custom information; (vi) the Item manufacturer information, including the identification of any subcontractor; and (vii) unit prices.

5.2 Payments. All payments shall be Net * * * days from the receipt of Invoice, Items, or Services, whichever is later. Any applicable taxes or other charges such as duties, customs, tariffs, imposts and government-imposed surcharges shall be stated separately on Seller's invoice. Payment of an invoice shall not constitute acceptance of the Item or Service. Buyer may at its option make payment within * * * days and receive a * * * from the total invoice. Prompt payment discounts will be computed from the latest of: (i) the scheduled delivery date; (ii) the date received at the Delivery Point; or (iii) the date a properly filled out original invoice or packing list is received. Payment is made when Buyer's check is mailed or EDI funds transfer initiated.

5.3 Vendors and Subcontractors. Seller may utilize vendors or subcontractors to manufacture Items or render Services, provided that: (i) Seller advises Buyer in advance of the intent to utilize such vendor(s) or subcontractor(s) and Buyer agrees, in writing, to the utilization of such entities; (ii) Seller at all times remains (x) fully responsible for, and indemnifies and holds Buyer harmless from,

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any and all payments to its vendors or subcontractors utilized in the delivery of Items or performance of Services, and (y) fully responsible for the obligations and duties hereunder, even if the same are to be undertaken by permitted vendors and subcontractors; and (iii) such vendor(s) or subcontractor(s) agree to be bound by the terms and conditions of this Agreement, including for example, the obligations of confidentiality.

ARTICLE 6. SHIPPING AND DELIVERY

6.1 Purchase Order Acknowledgement. Seller agrees to acknowledge and accept each Purchase Order to Buyer within seventy-two (72) hours after receipt of the Purchase Order ("Purchase Order Acknowledgment"). Lack of a written Purchase Order Acknowledgement by Seller to Buyer within 72 hours shall be deemed acceptance of the Purchase Order. Buyer must issue Purchase Order to Seller within seventy two (72) hours of receipt of order from Buyer. If Purchase Order is issued to Seller after seventy two (72) hours of receipt of order from Buyer, then the order shall be considered placed at the time Purchase Order is issued to Seller..

6.2 Anticipated Delivery Miss. Seller shall notify Buyer, or Buyer's purchasing agent as noted on the Purchase Order, in writing if Seller is unable to make any scheduled delivery of Items or perform Services as scheduled and state the reasons therefore. Such notification shall be given by Seller as soon as Seller reasonably understands that it will be unable to make the scheduled delivery date, but in no event shall affect Buyer's termination rights under Section 10.

6.3 Missed Delivery Date. Notwithstanding anything else in this Agreement, failure to meet the delivery date(s) in the Purchase Order by more than * * * business days shall be considered a material breach of contract and shall allow Buyer, in it's sole discretion, to either (i) terminate immediately the order for the Item and/or any subsequent Purchase Orders without any liability even if the Purchase Order was for Custom Items, or (ii) should the failure to meet the delivery date(s) result in a failure of the Buyer to meet delivery date(s) to Buyer's customer, receive a * * * of the price of the delinquent items.

6.4 Purchase Order Hold. Buyer may place any portion of a Purchase Order on hold by notice that will take effect immediately upon receipt. Purchase Orders placed on hold will be rescheduled or cancelled within * * *. Upon notification from Buyer to place a Purchase Order or portion of a Purchase Order on hold, Seller will immediately cease all work on items for the Purchase Order or portion of the Purchase Order placed on hold. Seller will notify Buyer of work in progress status for items on hold within * * * of notification from Buyer to place Purchase Order or portion of Purchase order on hold. Buyer may not place a Purchase Order on hold if the Item ordered under such Purchase Order has already been completed and it is less than * * * prior to the scheduled delivery date. If a Purchase Order placed on hold is subsequently cancelled by Buyer, the price charged for units actually shipped from Seller to Buyer shall be per the Pricing Schedule (Schedule C) for the quantity shipped, not for the Purchase Order quantity originally issued.

6.5 Packaging. All Items shall be prepared for shipment in a manner which: (i) follows good commercial practice, (ii) is acceptable by common carriers for shipment at the lowest rate, and (iii) is adequate to ensure safe arrival. If Buyer requests, Seller will package Items for cleanroom delivery, per Buyer specification and at Buyer expense, the cleanroom packaging and delivery costs are as set forth on Schedule C. Seller shall mark all containers with necessary lifting, handling, unpacking and shipping information, Purchase Order number, Buyer's Item Identification number or part number, description, Line item number, date of shipment and the names of the Buyer and Seller.

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ARTICLE 7. ASSURED SUPPLY.

7.1 Expedited Shipping Reserve. At Buyer discretion, Seller will make available * * * order per week not more than quantity * * * items for shipment within * * * of Lead Time

7.2 Changes. Configuration and other Buyer-requested or Buyer-approved changes that result in delivery date changes will be reflected on a change order to the Purchase Order showing the revised ship and delivery dates.

7.3 Assured Quantity. Seller acknowledges that a reliable and continuing source of Items and Custom Items is essential to Buyer. As a material inducement to Buyer's execution of this Agreement, Seller hereby covenants that it shall * * * to assure supply of Items to Buyer * * *.

7.4 Cessation of Manufacturing. Seller must inform Buyer in writing * * * prior to any determination it makes to stop manufacturing Items and/or Custom Items for Buyer. Seller must inform Buyer in writing ninety (90) days prior to any change of ownership of Seller's business. During the * * * period, Seller shall continue to supply Items and/or Custom Items, as the case may be, to Buyer consistent with Purchase Orders placed, including but not limited to a final Purchase Order. The price for Items shall be * * * the shipment extends beyond the delivery date specified on the Purchase Orders placed during the * * * period. In the event that at the end of the * * * period Seller has not met the Purchase Orders, Seller shall nonetheless be obligated to meet the Purchase Order requirements, but the price shall be * * * for each day the shipment extends beyond the * * * period.

ARTICLE 8. ACCEPTANCE AND WARRANTIES

8.1 Source Inspection Obligation. All Items, and including but not limited to Custom Items, purchased by Buyer are subject to inspection and test (source inspection) before being allowed to ship from Seller's factory. Source inspection requirements are described in the Product Specification unless agreed otherwise in writing by the parties. Seller shall be responsible for source inspections and shall provide Buyer with written certification that Items and/or Custom Items, as the case may be, tested have passed source inspection and comply in all respects with the requirements described in the Product Specification. Buyer may participate, as it deems necessary, in source inspections. If any inspection or test is made on Seller's premises, Seller shall provide Buyer with reasonable facilities and assistance at no additional charge.

8.2 Acceptance Inspection Right. Notwithstanding any source inspection or testing at Seller's premises, all Items purchased by Buyer are subject to Buyer's inspection and test (qualification) before final acceptance at Buyer's premises. Final acceptance requirements are as described in the Product Specification ("Final Acceptance Criteria") unless agreed otherwise in writing by the Parties. Items rejected by Buyer as not conforming to the Product Specification or product drawing ("Defective Items") may be returned to Seller at Seller's risk and expense and, at Buyer's option, such Defective Items shall be immediately repaired or replaced.

8.2.1 If an Item is identified as a Defective Item, due to no fault of Buyer, within * * * days of delivery, then Buyer may give written notice to Seller of failure to meet Final Acceptance Criteria. If Seller does not replace or repair the Defective Item with an Item that meets the Final Acceptance Criteria within * * * days of such notice, Buyer may, at Buyer's option; (a) return the Item for * * * or (b) have the Item replaced with a new Item from Seller or repaired by Seller within * * * business days of Buyer's written election of option (b).

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8.2.2 Acceptance and/or inspection by Buyer shall in no event constitute a waiver of Buyer's rights and remedies with regard to any subsequently discovered defect or nonconformity.

8.3 Warranty. Seller warrants to Buyer that all Items provided by Seller for delivery hereunder shall conform in all respects to the Product Specification, including the Final Acceptance Criteria, be free from defects in material and workmanship and be new, of the grade and quality specified.

8.3.1 If an Item delivered hereunder does not comply with any of the above warranties, Buyer shall notify Seller as soon as practicable and at Buyer's option, Seller shall repair or replace the defective Item, at its sole cost and expense, or refund the purchase price. Seller shall also be responsible for and pay the cost of shipping of all Items not conforming to the warranties and will bear the risk of loss of such Items while in transit and any other costs reasonably associated with a nonconforming Item.

8.3.2 Seller further warrants that all Items furnished hereunder will not infringe any third party's intellectual property rights, and that Seller has the necessary right, title, and interest to provide said Items and Services to Buyer free of liens and encumbrances.

8.3.3 Seller warrants that all products and Services provided shall be performed in accordance with good workmanlike standards and shall meet the descriptions and specifications provided on the Product Spec. Seller shall guarantee workmanship for one (1) year after Services are provided unless agreed otherwise in writing by the parties. Seller shall promptly correct any non-conforming or defective workmanship at no additional cost to Buyer.

8.3.4 All of the above warranties shall survive any delivery, inspection, acceptance, payment or resale of the Items.

ARTICLE 9. PRODUCT SPECIFICATION AND IDENTIFICATION

9.1 Product Specification. Seller shall not modify the Product Specifications for any Item or Services without the prior written approval of the Buyer.

9.2 Systems. Seller shall cooperate with Buyer to provide configuration control and traceability systems for Items and Services supplied hereunder.

ARTICLE 10. TERMINATION

10.1 Buyer Termination. Buyer may terminate any Purchase Order placed hereunder, in whole or in part, at any time for its sole convenience by giving written notice of termination to Seller. Upon Seller's receipt of such notice, Seller shall, unless otherwise specified in such notice, immediately stop all work following any process step already in process hereunder, give prompt written notice to and cause all of its vendors or subcontractors to cease all related work and, at the request of Buyer, return any materials provided to Seller by Buyer.

10.2 Termination Charges. There shall be no charges for termination of orders for Items, other than Custom Items, or for Services not yet provided. Buyer will be responsible for payment of authorized Services and Items already provided by Seller but not yet invoiced. Notwithstanding anything to the contrary, Seller shall not be compensated in any way for any work done after receipt of Buyer's notice, nor for any costs incurred by Seller's vendors or subcontractors after Seller receives the notice, nor for any costs Seller could reasonably have avoided, nor for any indirect overhead and administrative charges or profit of Seller.

10.3 Custom Items. Any claim for termination charges for Custom Items must be submitted to Buyer in writing within thirty (30) days after receipt of Buyer's termination notice along with a summary of all mitigation efforts.

10.3.1 Seller's claim may include the net cost of custom work in process under an open Purchase Order and which must be scrapped due to the cancellation. The claim will be paid under the following cancellation schedule.

Process Step	Cancellation Cost as a Percent of Purchase Order value
* * *	* * *
* * *	* * *
* * *	* * *
* * *	* * *
* * *	* * *
* * *	* * *
* * *	* * *

10.3.2 Upon payment of Seller's claim, Buyer shall be entitled to all such work and materials paid for.

10.4 Pre-payment Rights. Before assuming any payment obligation under this section, Buyer may inspect Seller's work in process and audit all relevant documents prior to paying Seller's invoice. Buyer may exercise this pre-payment inspection right at any time within fourteen (14) calendar days of Seller's invoicing. If Buyer fails to exercise this inspection right and perform an inspection within fourteen (14) calendar days of Seller's invoicing, Buyer's pre-payment inspection right will be waived and the invoice will be deemed accepted.

10.5 Termination For Breach. In the event of a material breach of this Agreement by a Party, the complaining Party shall give the beaching Party written notice of the breach. If the breach is not cured within thirty (30) days of the written notice, the complaining Party may immediately terminate this Agreement.

ARTICLE 11. OWNERSHIP AND BAILMENT RESPONSIBILITIES.

11.1 Ownership. Any specifications, drawings, schematics, technical information, data, tools, dies, patterns, masks, gauges, test equipment and other materials furnished to Seller or paid for by Buyer shall (i) remain or become Buyer's property, (ii) be used by Seller exclusively for Buyer's orders, (iii) be clearly marked as Buyer's property, (iv) be segregated when not in use, (v) be kept in good working condition at Seller's expense, and (vi) be shipped to Buyer promptly on Buyer's demand or upon termination or expiration of this Agreement, whichever occurs first. Any such property furnished by Buyer to Seller that is marked or otherwise noted by Buyer as being confidential information will be treated by Seller in accordance with Section 12 hereafter.

11.2 Loss or Damage. Seller shall be liable for any loss of or damage to Buyer's property while in Seller's possession or control, ordinary wear and tear excepted.

11.3 No License. Neither the providing of confidential information by Buyer to Seller, nor the ordering and/or purchase of Items, Custom Items or Services from Seller shall be deemed to convey any license to Seller, expressly or by implication, estoppel or otherwise, under any patent, copyright, trade

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secret, trademark or other intellectual property right, other than the limited right to manufacture Items or Custom Items solely for Buyer, or provide Services to Buyer. Buyer expressly reserves all of its rights with respect to such patent, copyright, trade secret, trademark and/or other proprietary rights. In no event may Seller provide, offer, sell or otherwise disclose to a third party Items or Custom Items (or information about the same) which are manufactured by or on behalf of Seller for Buyer.

ARTICLE 12. CONFIDENTIALITY AND PUBLICITY.

12.1 Confidentiality Obligation. During the course of this Agreement, either Party may have or may be provided access to the other's confidential information and materials. Additionally, Seller may be engaged to develop new information for Buyer, or may develop such information during the performance of Services, which information will become, upon creation, Buyer's confidential information unless otherwise agreed in writing. Provided information and materials are marked in a manner reasonably intended to make the recipient aware, or the recipient is sent written notice within forty-eight (48) hours of disclosure, that the information and materials are "Confidential", each party agrees to maintain such information in accordance with the terms of this Agreement and the CNDA referenced on the signature page of this Agreement and any other applicable separate nondisclosure agreement between Buyer and Seller. At a minimum each party agrees to maintain such information in confidence and limit disclosure on a need to know basis, to take all reasonable precautions to prevent unauthorized disclosure, and to treat such information as it treats its own information of a similar nature, until the information becomes rightfully available to the public through no fault of the non-disclosing party. Seller's employees who access Buyer's facilities may be required to sign a separate access agreement prior to admittance to Buyer's facilities. Seller shall not use any of the confidential information created for Buyer other than for Buyer.

12.2 Disclosure. Neither party may use the other party's name in advertisements, news Purchase Orders, publicity statements, financial statement filings, nor any of its details or the existence of the relationship created by this Agreement, to any third party without the specific, written consent of the other (unless in areas specifically required to meet General Accepted Accounting Principles (GAAP) or Securities Exchange Commission (SEC) filing requirements). If disclosure of this Agreement or any of the terms hereof is required by applicable law, rule, or regulation, or is compelled by a court or governmental agency, authority or body: (i) the parties shall use all legitimate and legal means available to minimize the disclosure to third parties of the content of the Agreement, including without limitation seeking a confidential treatment request or protective order; (ii) the disclosing party shall inform the other party at least ten (10) business days in advance of the disclosure; and (iii) the disclosing party shall give the other party a reasonable opportunity to review and comment upon the disclosure, and any request for confidential treatment or a protective order pertaining thereto, prior to making such disclosure. The parties may disclose this Agreement in confidence to their respective legal counsel, accountants, bankers and financing sources as necessary in connection with obtaining services from such third parties. The obligations stated in this section shall survive the expiration or termination of this Agreement.

12.3 No Right to Publicity. Neither party may use the other party's name or trademarks in advertisements, brochures, banners, letterhead, business cards, reference lists, or similar advertisements without the other's written consent.

ARTICLE 13. INTELLECTUAL PROPERTY INDEMNITY.

13.1 Warranty. Seller shall indemnify and hold Buyer and its customers harmless from any and all costs, expenses (including reasonably attorneys' fees), losses, damages or liabilities incurred because of actual or alleged infringement of any patent, copyright, trade secret, trademark, maskwork or other intellectual right arising out of the use or sale by Buyer or Buyer's customers of Items or Buyer's products manufactured using the Item(s). Buyer shall notify Seller of such claim or demand and shall permit Seller to participate in the defense or settlement thereof.

13.2 Injunctions. If an injunction issues as a result of any claim or action, Seller agrees, at its sole cost and expense, and Buyer's option to either: (i) procure for Buyer the right to continue using Items, (ii) replace the Items with non-infringing Items or (iii) modify the Items so they become non-infringing. If, despite Seller's best efforts, none of the foregoing options are available, Buyer may at its option return the Item at Seller's sole cost and expense, and Seller shall refund to Buyer the purchase price of the Item.

13.3 Warranty Exceptions. Seller's obligations pursuant to this Section 13 shall not apply where: (i) Custom Items are manufactured to Buyer's detailed design and such design is the cause of the claim; or (ii) Items are used in combination with equipment, software or other products that are (x) not supplied, required or recommended by Seller, and (y) not reasonably utilized within the scope of the intended use of the Items, and (z) such infringement would not have occurred but for such combination.

13.4 Waiver. THE FOREGOING STATES THE ENTIRE OBLIGATIONS AND REMEDIES FLOWING BETWEEN BUYER AND SELLER ARISING FROM ANY INTELLECTUAL PROPERTY CLAIM BY A THIRD PARTY.

ARTICLE 14. HAZARDOUS MATERIALS.

14.1 Hazardous Materials. If Items or Services provided hereunder include Hazardous Materials, Seller represents and warrants that Seller and its employees, agents, and subcontractors providing Services to Buyer understand the nature of and hazards associated with the handling, transportation, and use of such Hazardous Materials, as applicable to Seller.

14.2 Material Safety Data Sheets. Prior to causing Hazardous Materials to be on Buyer's premises, Seller shall provide Buyer with Material Safety Data Sheets (MSDS) and any other documentation reasonably necessary to enable Buyer to comply with the applicable laws and regulations, and obtain written approval from Buyer's Site Environmental, Health, and Safety (EHS) organization. Buyer will not grant approval without Seller's agreement to comply with Buyer's Hazardous Materials management requirements.

14.3 Indemnity Obligation. Seller will be fully responsible for, defend, indemnify and hold Buyer harmless from any claim or liability arising in connection with (1) providing such Hazardous Materials to Buyer, or (2) the use of such Hazardous Materials by Seller, its agents or subcontractors in providing Services to Buyer.

14.4 No Class I Ozone Depleting Substances. Seller hereby certifies that Items supplied to Buyer do not "contain" any Class I ozone depleting substances, as those terms are defined by law.

14.5 Decontamination. Except as provided hereafter, Items returned to Seller by Buyer will be decontaminated from Hazardous Materials to the degree practical, reasonable and as required by applicable law or regulation. Upon request, Buyer shall provide appropriate documentation to Seller

that the returned Items have been decontaminated. If Seller is financially responsible for shipping the return Items, Seller will be responsible for their decontamination, and Buyer shall make Buyer's facilities available to Seller for the decontamination.

ARTICLE 15. CUSTOMS CLEARANCE AND LEGAL COMPLIANCE.

15.1 Customs. Upon Buyer's request, Seller will promptly provide Buyer with a statement of origin for all Items and with applicable customs documentation for Items wholly or partially manufactured outside of the country of import.

15.2 Compliance Obligation. Throughout the term of this Agreement and any extension thereto, Seller shall comply, at its sole cost and expense, with all applicable statutes, regulations, rules, ordinances, codes and standards (Laws) governing the manufacture, transportation or sale of Items or the performance of Services covered by this Agreement anywhere in the world. Without limiting the foregoing, in the United States (U.S.) this includes all applicable commerce, environmental, occupational safety, transportation and securities Laws and all employment and labor Laws governing Seller's personnel providing Services to Buyer.

ARTICLE 16. INSURANCE.

16.1 Maintenance of Policy. Without limiting or qualifying Seller's liabilities, obligations or indemnities otherwise assumed by Seller pursuant to this Agreement, Seller shall maintain, at its sole cost and expense, with companies acceptable to Buyer, Commercial General Liability and Automobile Liability Insurance with limits of liability not less than $1,000,000.00 per occurrence and including liability coverage for bodily injury or property damage (1) assumed in a contract or agreement pertaining to Seller's business and (2) arising out of Seller's product, Services or work. Seller's insurance shall be primary, and any applicable insurance maintained by Buyer shall be excess and non-contributing.

16.2 Workers' Compensation Coverage. Seller shall also maintain statutory Workers' Compensation coverage, including a Broad Form All States Endorsement in the amount required by law, and Employers' Liability Insurance in the amount of $1,000,000.00 per occurrence. Such insurance shall include an insurer's waiver of subrogation in favor of Buyer.

16.3 Professional Liability Service. If Seller is providing any professional service to Buyer, Seller shall maintain Professional Liability Insurance (including errors and omissions coverage) with liability limits not less than $1,000,000.00.

16.4 Certificate of Insurance. Seller shall provide Buyer with properly executed Certificate(s) of Insurance prior to commencement of any operation hereunder and shall notify Buyer, no less than 30 days in advance, of any reduction or cancellation of the above coverages.

ARTICLE 17. GENERAL INDEMNIFICATION.

17.1 Seller's Indemnification Obligation. Seller agrees to protect, defend, indemnify and hold Buyer harmless from and against any and all claims, liabilities, demands, penalties, forfeitures, suits, judgments and the associated costs and expenses (including reasonable attorney's fees), which Buyer may hereafter incur, become responsible for or pay out as a result of death bodily injury to any person, destruction or damage to any property, contamination of or adverse effects on the environment and any clean up costs in connection therewith, or any violation of governmental law, regulation, or orders, caused, in whole or in part, by (a) Seller's breach of any term or provision of this Agreement, (b) any negligent or willful acts, errors or omissions by Seller, its employees, officers, agents, representatives or sub-contractors in the performance of Services under this Agreement; or (c) dangerously defective Items

17.2 Buyer's Indemnification Obligation. Buyer agrees to protect, defend, indemnify and hold Seller harmless from and against any and all claims, liabilities, demands, penalties, forfeitures, suits, judgments and the associated costs and expenses (including reasonable attorney's fees), which Seller may hereafter incur, become responsible for or pay out as a result of death, bodily injury to any person, destruction or damage to any property, contamination of or adverse effects on the environment and any clean up costs in connection therewith, or any violation of governmental law, regulation, or orders, caused, in whole or in part, by Buyer's breach of any term or provision of this Agreement.

17.3 Limitation on Liability. WITH THE EXCEPTION OF CLAIMS FOR INTELLECTUAL PROPERTY INFRINGEMENT OR BREACH OF CONFIDENTIALITY, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR LOST PROFITS, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, WHETHER UNDER THEORY OF TORT, CONTRACT OR OTHERWISE, EVEN IF ADVISED IN ADVANCE OF THE POSSIBILITY OF SUCH LOST PROFITS OR DAMAGES. In all events, Buyer's liability to Seller for a claim shall be limited to the total of the payments made by Buyer to Seller for Items and Services during the 12-month period preceeding the claim.

ARTICLE 18. NEW DEVELOPMENTS.

18.1 Services. If development Services are to be provided pursuant to this Agreement or if at any time during the term of this Agreement, Buyer pays any fee to the Seller for development Services, the following terms and conditions shall apply unless agreed otherwise in writing by the parties.

18.1.1 All intellectual property associated with any ideas, concepts, techniques, inventions, processes, or works of authorship developed, created or conceived by Seller, its employees, subcontractors or agents while performing the development Services for Buyer or from proprietary and/or confidential information or materials belonging to Buyer (collectively, "Developments") shall belong exclusively to Buyer and be deemed the confidential information of Buyer. Seller agrees to assign (or cause to be assigned) and does hereby assign fully to Buyer all such Developments, including but not limited to any and all copyrights therein.

18.1.2 Buyer acknowledges and agrees that Seller shall retain sole and exclusive ownership of any invention, improvement, development, concept, discovery, or other proprietary information owned by Seller or in which Seller has an interest ("Seller IP"). Notwithstanding the foregoing, Seller agrees that if in the course of performing the Services, Seller incorporates any Seller IP into any Development developed hereunder, Buyer is hereby granted and shall

have a nonexclusive, royalty free, perpetual, irrevocable, worldwide license, including the right to sublicense, under any such Seller IP to make, have made, use, import, prepare derivative works of, reproduce, have reproduced, perform, display, offer to sell, sell, or otherwise distribute such invention, improvement, development, concept, discovery, or other proprietary information as part of or in connection with such Development.

18.1.3 Seller shall assist Buyer, at Buyer's expense, in obtaining, registering, perfecting and enforcing all patents, trademarks, mask work rights or copyrights necessary to protect Buyer's interest in the Developments assigned to Buyer pursuant to Paragraph (a) above. This includes the disclosure of all pertinent information, the execution of applications, specifications, oaths and assignments and any other papers by Seller necessary to ensure said protection for Buyer. Upon Buyer's request, Seller shall execute an Assignment of Copyright to Buyer covering any copyrightable deliverable accepted by Buyer hereunder.

18.4 Documentation. All documentation connected with the development Services or associated with Developments assigned to Buyer pursuant to Paragraph 18.1 above, shall be the exclusive property of Buyer. Upon Buyer's request, Seller shall make all such documentation available to Buyer.

ARTICLE 19. MISCELLANEOUS

19.1 Choice of Law. This Agreement shall be governed by the law of the State of California, United States of America, without regard to its conflict of law principles.

19.2 Dispute Resolution. Except for claims regarding the infringement, validity or scope of either Party's intellectual property rights, to which this Section 19.2 will not apply, the Parties shall endeavor to resolve disputes through the procedures of Sections 19.2.1 and 19.2.2.

19.2.1 Each Party will make reasonable best efforts to resolve amicably any disputes or claims under this Agreement among the Parties. These efforts shall include the escalation to negotiations between senior officers or principals of the Parties ("Designated Executives"), in which case the disputing Party will give the other Party written notice of the nature of the dispute and proposed resolution. Within seven (7) days after receipt of such notice, the responding Party shall submit a written response, and counter resolution. The Designated Executives shall then meet at a mutually acceptable time and place (or San Francisco, California, if no such place can be agreed upon) within ten (10) business days of the date of the responding Party's response, to conduct good faith negotiations to resolve amicably the dispute. If the matter has not been resolved pursuant to the aforesaid negotiation procedure within thirty (30) days, the matter will be resolved pursuant to Section 19.2.2, below.

19.2.2 Except for claims regarding the infringement, validity or scope of either Party's Patent Rights, to which this Section will not apply, in the event that a resolution is not reached among the Parties within thirty (30) days after written notice by any Party of the dispute or claims through the procedures of Section 19.2.1, the dispute or claim shall be finally settled by binding arbitration in San Francisco, California, in accordance with the then in effect Commercial Dispute Rules of the American Arbitration Association ("AAA"). The arbitration shall be administered out of the local San Francisco Office of the AAA. Three (3) arbitrators shall be appointed in accordance with the AAA rules. Depositions may be taken and discovery may be obtained, subject to time period restrictions set by the arbitrator; the arbitrator will give active, attentive case management to the scope, form, cost effectiveness and scheduling of all discovery. Notwithstanding the foregoing, it is agreed that the arbitral proceedings will be conducted in such a manner that the substantive merit of the Claim is

ruled upon by the arbitrator within sixty (60) days after the selection of the arbitrator. In the event of any conflict between the Rules of the AAA, the provisions of this Section will govern. In any arbitral proceeding under this paragraph, each Party will bear its own attorneys' fees and expenses; except that the losing Party will bear the reasonable costs and expenses of the prevailing Party, and the costs and expenses of the arbitrator, in connection with such proceedings. The award of arbitration shall be final and binding upon both Parties, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any monetary award shall be payable in United States dollars.

19.3 Injunctive Relief and Infringement Claims. Each of the Parties acknowledges that unauthorized disclosure or use of the other Party's Confidential Information or infringement or misappropriation of the other Party's intellectual property rights could cause irreparable harm and significant injury that would be difficult to ascertain and may not be compensable by damages alone. Accordingly, the Parties agree that, in addition to any and all legal remedies, claims regarding: (i) intellectual property rights; (ii) Confidential Information; or (iii) a violation of the obligations of Section 4.6, may be remedied by specific performance, injunction or other appropriate equitable relief. For all claims regarding the infringement, validity or scope of either Party's intellectual property rights, such claims shall be brought before and take place in the U.S. Federal Courts in and for the Northern District of California, except for any claim based upon a complaint filed with the International Trade Commission under Section 337 of the Tariff Act of 1930.

19.4 Assignment. Neither Party may assign any or all of its rights and/or obligations under this Agreement without the prior written consent of the other Party. Notwithstanding the foregoing, Buyer may assign its rights and obligations under this Agreement: (i) to a Subsidiary; or (ii) in connection with a merger, reorganization or sale of all or substantially all of Buyer's assets which relate to the business pertinent to the license under this Agreement. Any assignment permitted hereunder will be subject to the written consent of the assignee to all of the terms and provisions of this Agreement. Any attempted assignment in derogation of this Section 19.4 will be null and void.

19.5 Modification and Waiver. No modification to this Agreement, nor any waiver of any rights, will be effective unless assented to in writing by the Party to be charged, and the waiver of any breach or default shall not constitute a waiver of any other right hereunder or any subsequent breach or default.

19.6 Force Majeure. Neither Party shall be responsible for delay or failure in performance caused by any government act, law, regulation, order or decree, by communication line or power failures beyond its control, or by fire, flood or other natural disasters or by other causes beyond its reasonable control, nor shall any such delay or failure be considered to be a breach of this Agreement. In any such event, performance shall take place as soon thereafter as is reasonably feasible. If delivery of Items or the performance of Services is to be delayed by such contingencies, Seller shall immediately notify Buyer in writing. If the delay is greater than fourteen (14) days from the date of the notice, Buyer will have the option, in its sole discretion, to either (i) extend time of delivery or performance, or (ii) terminate the uncompleted portion of the order at no cost of any nature to Buyer.

19.7 Independent Contractors. In performing their respective duties under this Agreement, each of the Parties will be operating as an independent contractor. Nothing contained herein will in any way constitute any association, partnership, or joint venture between the Parties hereto, or be construed to evidence the intention of the Parties to establish any such relationship. Seller shall be responsible for any withholding taxes, payroll taxes, disability insurance payments, unemployment taxes and other similar taxes or charges on the payments received by Seller hereunder. Absent the other Party's prior written consent, neither Party has any right or authority to assume or create any obligations of any kind or to make any representation or warranty on behalf of the other Party, whether express or implied, or to bind the other Party in any respect whatsoever.

19.8 Severability. In the event that it is determined by a court of competent jurisdiction or under arbitration under Section 19.2 that any provision of this Agreement is invalid, illegal, or otherwise unenforceable, such provision will be enforced as nearly as possible in accordance with the stated intention of the Parties, while the remainder of this Agreement will remain in full force and effect and bind the Parties according to its terms. To the extent any provision cannot be enforced in accordance with the stated intentions of the Parties, such provisions will be deemed not to be a part of this Agreement.

19.9 Headings. The headings of the Sections of this Agreement are for convenience only and will not be of any effect in construing the meanings of the Sections.

19.10 Counterparts. This Agreement may be executed in multiple counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

19.11 Entire Agreement. This Agreement, the Schedules (including these Terms and Conditions) attached hereto, and the CNDA referenced on the executed cover page, constitute the entire and exclusive agreement between the Parties hereto with respect to the subject matter hereof and supersede any prior agreements between the Parties with respect to such subject matter.

19.12 Specific Performance. Notwithstanding anything to the contrary contained in this Agreement, the parties agree that the failure of the Seller to deliver an Item or perform a Service in accordance with the terms and conditions contained in this Agreement after the acceptance of a Purchase Order would cause irreparable damage to Buyer for which monetary damages would not provide an adequate remedy. Accordingly, it is agreed that, in addition to any other remedy to which Buyer may be entitled, at law or in equity, Buyer shall be entitled to injunctive relief to prevent breaches of the provisions of this Agreement by Seller, and an order of specific performance to compel performance of such obligations in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction.

19.13 Survival. The rights and obligations of the parties as contained in Sections 8, 11 - 14 and 16-19 shall survive the termination or expiration of this Agreement along with any other right or legal obligation of a party created by a term or condition in any Addendum or Product Specification, which term or condition by its nature would survive the termination or expiration of the Agreement.

SCHEDULE A

ITEMS AND SERVICES

1. Items:

(a) Multi-layered printed circuit boards and printed circuit board assemblies per Buyer's drawings and specifications.

(b) Printed circuit board components.

2. Services:

(a) Testing, process qualification, maintenance, and warranty repair of Items.

(b) Service calls for Items.

(c) Continuous improvement, upgrades/modification, and extended service contracts.

(d) PCBA Engineering services.

SCHEDULE B

PRODUCT SPECIFICATION FOR PRINTED CIRCUIT / WIRE BOARD SPECIFICATIONS

[* * * 8 pages redacted]

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

SCHEDULE C

PRICING SCHEDULE

NOTE: CLEANROOM PACKAGING AND COSTS * * *

[* * * 4 pages redacted]

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EXHIBIT 10.28
CONFIDENTIAL TREATMENT REQUESTED

FORMFACTOR, INC.

PRODUCTION AND DEVELOPMENT MATERIALS AND SERVICES PURCHASE AGREEMENT

BUYER:	SELLER:
FormFactor, Inc.	NTK Technologies, Inc.
2140 Research Drive	3255-2 Scott Blvd. Suite 101
Livermore, CA 94550	Santa Clara, CA 95054
Contact: Mark Zeni	Contact: Adam Kuhara
Phone: 925-456-7302	Phone: (602) 470-9898
Fax: 925-294-8145	Fax: (602) 470-9797

Product(s):	Items and Services as identified on Schedule A, and consistent with the specifications of Schedule B.
Pricing:	As identified on Schedule C.
Lead Time	As specified in Schedule D.
Purchase Orders:	Buyer may purchase and Seller shall accept all Purchase Orders for Items, Custom Items and Services in accordance with the prices and the terms and conditions contained in this Agreement.
Terms and Conditions:	Any and all Purchase Orders, as may be issued by the Buyer, shall reference this Agreement and be governed solely by the terms and conditions of this Agreement notwithstanding any terms and conditions on Seller's acknowledgment or Buyer's Purchase Order. Any additional or different terms as may be contained in Seller's documents are hereby deemed to be material alterations, and Buyer hereby gives notice of objection to and rejection of such material alterations.
Alterations:	As specified in Schedule F.
Term:	Two (2) years from the Effective Date
CNDA No.:	NTK 9902

In consideration of the mutual promises and obligations contained within this Production and Development Materials and Services Purchase Agreement (this "Agreement"), FormFactor, Inc. (hereinafter "Buyer" or "FormFactor") and NTK Technologies, Inc. (hereinafter "Seller" or "NTK") (Buyer and Seller are also referred to individually as a "Party" and collectively as the "Parties"), agree as set forth above, in the accompanying General Terms and Conditions of Purchase Agreement, and in the appended Schedules, and hereby have caused this Agreement to be duly and validly executed and in full force and effect as of the date of full execution ("Effective Date").

FormFactor, Inc.	NTK Technologies, Inc.
By: /s/ Mark Zeni	By: /s/ Kay K. Yamasaki
Name: Mark Zeni	Name: Kay K. Yamasaki
Title: VP Supply Chain	Title: COO
Dated: May 15, 2002	Dated: June 25, 2002

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

GENERAL TERMS AND CONDITIONS OF
PRODUCTION AND DEVELOPMENT MATERIALS AND SERVICES
PURCHASE AGREEMENT

ARTICLE 1. DEFINITIONS

In addition to the parenthetical definitions provided in this Agreement, the following terms shall have the following meanings:

1.1 "ADVANCED PRODUCTS" means those products commonly known as Mercury and Large Area Array. Mercury products refer to the use of * * * ceramic substrates used to manufacture customized ceramics in short lead time. Large Area Array products refer to 100mm (nominal), 150mm (nominal) and larger ceramic substrates.

1.2 "CUSTOM ITEMS" mean those Items manufactured by Seller for sale exclusively to Buyer. It is understood that Buyer owns all intellectual property rights for any tooling or data provided by Buyer to Seller, and used by Seller in the design and manufacture of of Custom Items.

1.3 "DELIVERY POINT" means 2140 Research Drive, Livermore, CA 94550, or such other location as may be identified by Buyer.

1.4 "HAZARDOUS MATERIALS" mean dangerous goods, chemicals, contaminants, substances, pollutants or any other materials that are defined as hazardous by relevant local, state, national, or international law, regulations and standards.

1.5 "ITEMS" means either singly or collectively, as the context indicates those products, product components, hardware, spare parts and Custom Items as identified on Schedule A hereto (and as may be modified in the future by the mutual agreement of the Parties), and any and all upgrades, retrofits, modifications, and enhancements thereto, which Seller is to sell to Buyer as set forth in this Agreement.

1.6 "LEAD-TIME" means the number of calendar days between when the Purchase Order is issued for an Item to the date the Item is to be received by the Buyer at the Delivery Point. The contractual Lead-time is specified in Schedule D.

1.7 "PRODUCT SPECIFICATION" means the specification for each Item purchased or to be purchased pursuant to this Agreement, as set forth in Schedule B hereto, and as the Parties may mutually agree to modify from time to time.

1.8 "PURCHASE ORDER" means Buyer's purchase order or change order to ship a definite quantity of Items or to provide Services to a specified schedule.

1.9 "SERVICES" means the work to be performed by Seller as identified on Schedule A.

ARTICLE 2. TERM AND MANUFACTURING AND SERVICE ACTIVITIES.

2.1 Term and Effective Date. The Term and Effective Date of this Agreement are as set forth on the executed cover sheet. The Term shall renew automatically for consecutive two (2) year periods after the expiration of the initial 2-year period, unless a party gives written notice of the intent not to renew at least one hundred and eighty (180) days prior to the expiration of the then-current Term.

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2.2 Manufacturing Capability. During the Term, Seller agrees to establish and have in place at its expense facilities, manufacturing, test equipment and labor necessary to manufacture Items as required by Buyer consistent with the terms and conditions of this Agreement. Seller shall exercise its commercially reasonable best efforts to manufacture Items in a timely manner in accordance with the applicable Product Spec in such quantities as required by Buyer.

2.3 Services. During the Term, Seller agrees to exercise its commercially reasonable best efforts to provide Services as required by Buyer consistent with the terms and conditions of this Agreement.

2.4 Technical Assistance. Each Party agrees to provide the other with such technical assistance reasonably necessary to facilitate the manufacture of Items and/or the rendering of Services. Each Party shall bear and be solely responsible for the fees and costs associated with such technical assistance.

ARTICLE 3. PRICING

3.1 Pricing. Prices for Items and Services are as set forth in Schedule C and shall remain fixed or decline for the first * * * of the agreement. Seller and Buyer agree that after the first * * * of the agreement, and after each subsequent * * * period thereafter while this agreement is in still in effect, the parties will renegotiate prices in good faith.

3.2 Low Price Commitment. Throughout the term of this Agreement and any extensions thereto, Seller warrants to Buyer that the prices set forth in this Agreement, in conjunction with the discounts offered herein for any Item or equivalent Service, reflect the Seller's lowest price charged any customer of Seller for Items or Service of similar complexity and volume, regardless of any special terms, conditions, rebates or allowances of any nature. If Seller sells any comparable Item or provides equivalent Services to any other customer at a price less than the price set forth in this Agreement or any addendum or amendment, Seller shall adjust its price to the lower price for all future invoices for such Item or Service and rebate to Buyer an amount equal to the difference in the price paid by Buyer and the lower price for any invoices already paid by Buyer for such Item or Service. In addition, Buyer may adjust the prices for any Item or Service invoiced by Seller and unpaid by Buyer to reflect the lower price. Each of the above adjustments and the rebate shall be calculated from the date the Seller first sells the Item or Service at the lower price. In the event the Seller offers a lower price either as a general price drop or to specific customer(s) for any reason, Seller shall immediately notify Buyer of this price and adjust Buyer's pricing to meet the new pricing structure

3.3 Inspection Right. Buyer has the right, once per year, to appoint an independent third party of it's choice and it's expense, to inspect and audit Seller's records to ensure compliance with this Agreement

3.3.1 Seller shall have the option to review the audit report prior to the release to the Buyer. If Seller disagrees with the findings in the audit report for any reason, Seller shall have the right to issue a letter in response, which shall detail the specific reasons for Seller's disagreement and shall be included as part of the final audit report issued to Buyer.

3.3.2 If discrepancies are found during the audit and price adjustments are required to be paid by the Seller to the Buyer, Seller shall reimburse Buyer for all costs associated with the audit, along with a single payment or credit towards future orders covering the price adjustments within thirty (30) days after the completion of the audit. The choice of method of reimbursement, single payment or credit towards future orders, shall be at the Buyers option. The results of such audit shall be kept confidential by the auditor and only Seller's failures to abide by the obligations of this Agreement, and the details of such failure(s), shall be reported

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to Buyer. In the event Seller reasonably and in good faith disputes the audit results consistent with Section 3.3.1, and the Parties are unable to agree as to the auditor's report, the procedures of Section 19.2 shall be implemented.

3.3.3 Seller will maintain complete and accurate records of the Items shipped or the Services performed under this Agreement for a period of three (3) years after the shipment of these Items or the completion of these Services. Records relating to the performance of this Agreement shall be made available to Buyer upon reasonable notice.

3.4 Taxes. Taxes, other than any applicable local sales tax that the Seller is obligated to collect, and other charges such as duties, customs, tariffs, imposts, and government-imposed surcharges shall be paid for by Seller without reimbursement from Buyer as part of the purchase price for Items and Services. In the event that Buyer is prohibited by law from remitting payments to the Seller unless Buyer deducts or withholds taxes therefrom on behalf of the local taxing jurisdiction, then Buyer shall duly withhold such taxes and shall remit the remaining net invoice amount to the Seller. Buyer shall not reimburse Seller for the amount of such taxes withheld.

3.5 No Additional Costs. Additional costs, except those provided for herein or specified in a Purchase Order, will not be reimbursed without Buyer's prior written approval.

3.6 U.S. Dollars. All prices are in U.S. dollars and quoted delivered to the Delivery Point.

ARTICLE 4. PURCHASE ORDERS AND FORECASTS.

4.1 Issuance of Purchase Orders. Buyer may issue Purchase Orders to Seller identifying: (i) a description of the Items to be purchased(ii) the unit quantities being purchased, (iii) the prices for the Items being purchased, (iv) the desired delivery date the item(s) are to be received at the Delivery Point; and/or (v) the Services requested, fee, and the timing for the same.

4.2 Purchase Order Acknowledgement. Seller agrees to acknowledge and accept each Purchase Order to Buyer within forty eight (48) hours after receipt of the Purchase Order ("Purchase Order Acknowledgment"). Lack of a written Purchase Order Acknowledgement by Seller to Buyer within 48 hours shall be deemed acceptance of the Purchase Order.

4.3 Forecasts. By the tenth (10th) day of each month, Buyer shall supply to Seller a forecast setting forth Buyer's anticipated purchases of Items in each month for the proceeding * * * month period ("Rolling Forecast"). The Rolling Forecast is provided to Seller for planning purposes only and neither constitutes a firm commitment from Buyer to purchase a specific number of Items, nor a Purchase Order. Buyer shall modify the Rolling Forecast in the event it determines that it is not a reasonably accurate forecast of Buyer's anticipated purchases of Items, but Buyer shall have no obligation to and may, at its sole discretion, issue Purchase Orders under this Agreement. Buyer shall be responsible only for Items or Services for which it has issued Purchase Orders hereunder.

4.4 Buyer's engineering and technical personnel may from time to time, in Buyer's discretion, render assistance to Seller concerning the Items to be furnished pursuant to the Purchase Order. Such assisting personnel are not authorized to change the Items ordered or the provisions of the Purchase Order. No change order will be binding on the Buyer unless it is issued by an authorized Buyer representative.

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ARTICLE 5. INVOICING AND PAYMENT.

5.1 Invoicing. Original hard-copy invoices ("Invoices") shall be mailed or delivered by courier. Invoices shall include the following information: (i) the Buyer's Purchase Order number, (ii) a description of the Items shipped (or Services rendered, including dates services were rendered); (iii) the part number(s) (if applicable), (iv) the quantities, unit prices and extended total in US dollars for the Items that were shipped; all of which must match the information in the Buyer's Purchase Order. Any applicable taxes or other charges such as duties, customs, tariffs, imposts and government-imposed surcharges shall be stated separately on Seller's invoice.

5.2 Invoice Grace Period. Seller agrees to invoice Buyer no later than one hundred eighty (180) days after delivery of Items or completion of Services rendered. Buyer will not be obligated to make payment against any invoices submitted after such period.

5.3 Payments. All payments shall be one hundred percent (100%) net * * * days from the receipt of Invoice, Items, or Services, whichever is later. Buyer may at its option make payment within * * * days and receive a * * * from the total invoice. Prompt payment discounts will be computed from the latest of: (i) the scheduled delivery date; (ii) the date received at the Delivery Point; or (iii) the date a properly filled out original invoice or packing list is received. Payment is made when Buyer's check is mailed or EDI funds transfer initiated. Payment of an invoice shall not constitute acceptance of the Item or Service. Product shall be subject to appropriate adjustment for failure of Seller to meet the Purchase Order requirements. Buyer may set off any amount owed by Seller or any of its affiliated companies to Buyer against any amount owed by Buyer under the Purchase Order.

5.4 Vendors and Subcontractors. Seller may utilize vendors or subcontractors to manufacture Items or render Services, provided that: (i) Seller advises Buyer in advance of the intent to utilize such vendor(s) or subcontractor(s) and Buyer agrees, in writing, to the utilization of such entities; and (ii) Seller at all times remains (x) fully responsible for, and indemnifies and holds Buyer harmless from, any and all payments to its vendors or subcontractors utilized in the delivery of Items or performance of Services, and (y) fully responsible for the obligations and duties hereunder, even if the same are to be undertaken by permitted vendors and subcontractors.

ARTICLE 6. SHIPPING AND DELIVERY

6.1 Lead-Time Guarantee. Throughout the term of this Agreement and any extensions thereto, Seller warrants to Buyer that the Lead-times set forth in Schedule D to this Agreement or any Lead-times subsequently agreed to, reflect the Seller's shortest Lead-times for any customer of Items or Service of similar complexity and volume. If Seller delivers any comparable Item or provides equivalent Services to any other customer at a Lead-time that is shorter than what is set forth in this Agreement, Seller agrees to adjust its Lead-time to Buyer for all future Purchase Orders for such Item or Service. Seller and Buyer agree that after the first * * * months of the agreement, and after each subsequent * * * month period thereafter while this agreement is in still in effect, the parties will renegotiate lead time in good faith.

6.2 Shipping Terms. All Items shall be delivered duty paid ["DDP"; ICC Incoterms 2000] to the Delivery Point as specified in the Purchase Order. Title and risk of loss shall pass to Buyer upon delivery of Items to the Delivery Point.

6.3 Delivery Commitment. Seller agrees that all Items will be delivered to the Delivery Point on the exact date specified in the Purchase Order ("Delivery Date"). Delivery is only considered completed when all items on the Purchase Order have been delivered. Partial shipments will be

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considered complete when the total number of Items ordered on the Purchase Order have been received at the FCA point.

6.4 Anticipated Delivery Miss. Seller shall notify Buyer, or Buyer's purchasing agent as noted on the Purchase Order, within twenty-four (24) hours of the information becoming available, if Seller is unable to make any scheduled delivery of Items or perform Services as scheduled and shall state the reasons for the delay. Such notification by Seller shall not affect Buyer's termination rights under Section 10.

6.5 Missed Delivery Date. Notwithstanding anything else in this Agreement, failure to meet the delivery date(s) in the Purchase Order by more than * * * business days shall be considered a material breach of contract and shall allow Buyer, in it's sole discretion, to either (i) terminate immediately the order for the Item and/or any subsequent Purchase Orders without any liability even if the Purchase Order was for Custom Items, or (ii) receive a * * * for each calendar date late, up to * * * of the price of the delinquent items, but (ii) is subject to the failure of the Supplier to meet the delivery date(s) resulting in missed delivery date by Buyer to Buyer's Customer.

6.6 Early Delivery. Early deliveries of Product (measured by adherence to the Delivery Date) that are greater than * * * days early must be approved in writing by Buyer prior to shipment by Seller. If any Product is received at Buyer's dock prior to the Delivery Date, and approval for the delivery has not been granted by Buyer, Buyer shall have the right to (i) return the Product to Seller, with Seller paying all shipping and handling costs, and request Seller re-ship Product on the Delivery Date in the Order, (ii) accept the early delivery and * * * for each calendar day that Product is delivered.

6.7 Purchase Order Hold. Buyer may place any portion of a Purchase Order on hold by notice that will take effect immediately upon receipt. Purchase Orders placed on hold will be rescheduled or cancelled within * * * days. Buyer may not place a Purchase Order on hold if the Item ordered under such Purchase Order has already been completed. Any items cancelled shall be subject to the cancellation charges outlined in section 10 of this Agreement. Also, the price charged for units shipped from Seller to Buyer shall be per the Pricing Schedule (Schedule C) for the quantity shipped, not for the Purchase Order quantity originally issued.

6.8 Packaging. All Items shall be prepared for shipment in a manner which: (i) follows good commercial practice, (ii) is acceptable by common carriers for shipment at the lowest rate, and (iii) is adequate to ensure safe arrival. If Buyer requests, Seller will package Items for cleanroom delivery, per Buyer specification. Seller shall mark all containers with necessary lifting, handling, unpacking and shipping information, Purchase Order number, Buyer's Item Identification number or part number, description, Line item number, date of shipment and the names of the Buyer and Seller.

ARTICLE 7. ASSURED SUPPLY.

7.1 Assured Quantity. Seller acknowledges that a reliable and continuing source of Items and Custom Items is essential to Buyer. As a material inducement to Buyer's execution of this Agreement, Seller hereby covenants that it shall reserve capacity of its manufacturing facility and inventory levels to assure supply of Items to Buyer up to the quantity of * * * of Buyer's average monthly requirements per the Buyer's Rolling Forecast.

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7.2 Release of Reserved Capacity. Should Buyer fail to issue sufficient Purchase Orders to consume the reserved capacity in any given month, Seller shall have the right to re-allocate the excess, unused capacity to other Customers. Seller shall notify Buyer in writing of its intent to reallocate such capacity thirty (30) days prior to date it wished to reallocate. Buyer shall have ten (10) days to respond to the notification by either issuing additional Purchase Orders to consume the unused reserved capacity or granting approval for the reallocation. Supplier agrees to discontinue the reallocation of excess capacity once the Buyers Purchase Orders reach the forecasted level.

7.3 Expedited Shipping Reserve. At Buyer discretion, Seller will make available up to * * * of the average monthly volume in the Buyer's Rolling Forecast for shipment within * * * of contractual Lead-time as described in Schedule D.

7.4 Changes. Configuration and other Buyer-requested or Buyer-approved changes that result in Ship Date changes will be reflected on a change order to the Purchase Order showing the revised ship and delivery dates.

7.5 Cessation of Manufacturing. Seller must notify Buyer in writing * * * prior to any determination it makes to stop manufacturing Items and/or Custom Items for Buyer. During the * * * period, Buyer may issue and Seller shall continue to accept, all Purchase Orders for Items and/or Custom Items provided the Purchase Orders conform to the terms and conditions in this Agreement.. In the event that at the end of the * * * period Seller has not fulfilled all of the Buyer's open Purchase Orders with the Seller, Seller shall nonetheless be obligated to meet the Purchase Order requirements. Any deliveries of Items that are delivered to the Delivery Point after the Delivery Date specified in the Purchase Order shall be subject to the late delivery provisions and penalties included in Section 6 to this Agreement.

ARTICLE 8. INSPECTION, ACCEPTANCE AND WARRANTIES

8.1 Inspection. All inspection records relating to Items covered by Purchase Orders under this Agreement shall be available to Buyer in its acceptance of the inspection procedure.

8.2 Source Inspection. Buyer shall have the right to inspect the Product(s) at Seller's facility prior to shipment. Buyer agrees to give Seller at least forty-eight (48) hours notice that it wishes to exercise this right. If Buyer does exercise this right, Seller agrees to provide all reasonable assistance with the inspection at no charge to Buyer. . Source inspection requirements are described in the Product Specification unless agreed otherwise in writing by the parties.

8.3 Acceptance Inspection Right. Notwithstanding any source inspection or testing at Seller's premises, all Items purchased by Buyer are subject to Buyer's inspection and test (qualification) before final acceptance at Buyer's premises. Final acceptance requirements are as described in the Product Specification ("Final Acceptance Criteria") unless agreed otherwise in writing by the Parties. Items rejected by Buyer as not conforming to the Product Specification or product drawing ("Defective Items") may be returned to Seller at Seller's risk and expense and, at Buyer's option, such Defective Items shall be immediately repaired or replaced.

8.3.1 If an Item is identified as a Defective Item, due to no fault of Buyer, within * * * days of delivery, then Buyer may give written notice to Seller of failure to meet Final Acceptance Criteria. If Seller does not replace or repair the Defective Item with an Item that meets the Final Acceptance Criteria within * * * days of such notice, Buyer may, at Buyer's option; (a) return the Item for * * *, (b) have the Item replaced with a new Item from Seller or repaired by Seller within * * * business days of Buyer's written election of

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option (b), or (c) accept such Defective Items at * * * in price, agreed to by both parties.

8.3.2 Acceptance and/or inspection by Buyer shall in no event constitute a waiver of Buyer's rights and remedies with regard to any subsequently discovered defect or nonconformity.

8.4 Warranty. Seller warrants to Buyer that all Items provided by Seller for delivery hereunder shall (i) conform in all respects to the Product Specification, including the Final Acceptance Criteria, (ii) be free of defects in design except to the extent that such designs were provided by the Buyer, (iii) be free from defects in material and workmanship, and (iv) be new, of the grade and quality specified.

8.4.1 If an Item delivered hereunder does not comply with any of the above warranties, Buyer shall notify Seller as soon as practicable and at Buyer's option, Seller shall repair or replace the defective Item, at its sole cost and expense, or refund the purchase price. Seller shall also be responsible for and pay the cost of shipping of all Items not conforming to the warranties and will bear the risk of loss of such Items while in transit and any other costs reasonably associated with a nonconforming Item.

8.4.2 Seller further warrants that, to the best of Seller's knowledge, all Items furnished hereunder will not infringe any third party's intellectual property rights, and that Seller has the necessary right, title, and interest to provide said Items and Services to Buyer free of liens and encumbrances.

8.4.3 Seller warrants that all Items and/or Services provided shall be in accordance with good workmanlike standards and shall meet the descriptions and specifications provided on the Product Spec. Seller shall guarantee workmanship for one (1) year after the Items have been delivered or the Services have been performed unless agreed otherwise in writing by the parties. Seller shall promptly correct any non-conforming or defective workmanship at no additional cost to Buyer.

8.4.4 All of the above warranties shall survive any delivery, inspection, acceptance, payment or resale of the Items.

ARTICLE 9. PRODUCT SPECIFICATION, IDENTIFICATION AND DESIGN EXCLUSIVITY

9.1 Product Specification. Seller shall not modify the Product Specifications for any Item or Services without the prior written approval of the Buyer.

9.2 Systems. Seller shall cooperate with Buyer to provide configuration control and traceability systems for Items and Services supplied hereunder.

9.3 During the term of this Agreement and any extension thereto, Supplier agrees that * * * ("Restricted Products") * * *. After the termination of this Agreement, Supplier is free to design, manufacture and/or sell Restricted Products; provided, however, that in no event may Supplier use, disclose or rely upon in any manner Buyer's confidential information or intellectual property rights

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Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as **. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

ARTICLE 10. TERMINATION

10.1 Buyer Termination. Buyer may terminate any Purchase Order placed hereunder, in whole or in part, at any time for its sole convenience by giving written notice of termination to Seller. Upon Seller's receipt of such notice, Seller shall, unless otherwise specified in such notice, immediately stop all work following any process step already in process hereunder, give prompt written notice to and cause all of its vendors or subcontractors to cease all related work and, at the request of Buyer, return any materials provided to Seller by Buyer.

10.2 Termination Charges. There shall be no charges for termination of orders for standard Items or for Services not yet provided even if the Purchase Order has been "accepted" by Seller. Buyer will be responsible for payment of authorized Services and Items already provided by Seller but not yet invoiced. Notwithstanding anything to the contrary, Seller shall not be compensated in any way for any work done after receipt of Buyer's notice, nor for any costs incurred by Seller's vendors or subcontractors after Seller receives the notice, nor for any costs Seller could reasonably have avoided, nor for any indirect overhead and administrative charges or profit of Seller.

10.3 Custom Items. Cancellation of Purchase Orders for Custom Items will be subject to termination charges as dictated in section 10.3.1. Any claim for termination charges ("Termination Claim") for Custom Items must be submitted to Buyer in writing within thirty (30) days after receipt of Buyer's termination notice along with a summary of all mitigation efforts.

10.3.1 Seller's Termination Claim shall be based on the costs incurred in the manufacturing of the cancelled Custom Items. This may include the net cost of custom work in process under an open Purchase Order and which must be scrapped due to the cancellation. In no event shall such claim exceed the cancellation schedule set forth in Schedule E.

10.3.2 Upon payment of Seller's claim, Buyer shall be entitled to all such work and materials paid for.

10.4 Pre-payment Rights. Before assuming any payment obligation under this section, Buyer may inspect Seller's work in process and audit all relevant documents prior to paying Seller's invoice. Buyer may exercise this pre-payment inspection right at any time within fourteen (14) calendar days of Buyer receiving Seller's invoice. If Buyer fails to exercise this inspection right and perform an inspection within fourteen (14) calendar days of Buyer receiving Seller's invoice, Buyer's pre-payment inspection right will be waived and the invoice will be deemed accepted.

10.5 Failure of Seller to Perform. If (i) Seller fails to make any delivery or perform any service in accordance with the specified delivery dates or otherwise fails to comply with the Purchase Order and does not remedy such failure within ten (10) days after receipt of written notice thereof from Buyer, (ii) Seller fails to make progress to such an extent that performance of the Purchase Order is endangered, (iii) any proceedings is filed by or against Seller in bankruptcy or insolvency, or for appointment for the benefit of creditors, or (iv) Seller is in any way in any other breach of the Purchase Order then Buyer may (in addition to any other right or remedy provided by the Purchase Order or by law) terminate all or any part of the Purchase Order by written notice to Seller without any liability. If the Purchase Order is terminated or cancelled by Buyer consistent with this section, Buyer, in addition to any other rights provided in this clause, may require Seller to transfer title and deliver to Buyer: (i) any completed supplies, and (ii) such partially completed supplies and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights as Seller has specifically produced or specifically acquired for the performance of such Purchase Orders as have been terminated. Buyer will pay for the lesser of invoice or current market value of these items and any partial payments made by the Buyer on the terminated Purchase Order will be used to reduce the amount owed by the Buyer to the Seller.

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*** Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

10.6 Termination For Breach. In the event of a material breach of this Agreement by a Party, the complaining Party shall give the breaching Party written notice of the breach. If the breach is not cured within thirty (30) days of the written notice, the complaining Party may immediately terminate this Agreement. Should Seller fail to cure any breach within the thirty (30) day grace period, Buyer shall also have the right to cancel any open Purchase Orders with the Seller without being subject to any termination charges.

ARTICLE 11. OWNERSHIP AND BAILMENT RESPONSIBILITIES.

11.1 Ownership. Any specifications, drawings, schematics, technical information, data, tools, dies, patterns, masks, gauges, test equipment and other materials furnished to Seller or paid for by Buyer shall (i) remain or become Buyer's property, (ii) be used by Seller exclusively for Buyer's orders, (iii) be clearly marked as Buyer's property, (iv) be segregated when not in use, (v) be kept in good working condition at Seller's expense, and (vi) be shipped to Buyer promptly on Buyer's demand or upon termination or expiration of this Agreement, whichever occurs first. Any such property furnished by Buyer to Seller that is marked or otherwise noted by Buyer as being confidential information will be treated by Seller in accordance with Section 12 hereafter.

11.2 Loss or Damage. Seller shall be liable for any loss of or damage to Buyer's property while in Seller's possession or control, ordinary wear and tear excepted.

ARTICLE 12. CONFIDENTIALITY AND PUBLICITY.

12.1 Confidentiality Obligation. During the course of this Agreement, either Party may have or may be provided access to the other's confidential information and materials. Additionally, Seller may be engaged to develop new information for Buyer, or may develop such information during the performance of Services, which information will become, upon creation, Buyer's confidential information unless otherwise agreed in writing. Provided information and materials are marked in a manner reasonably intended to make the recipient aware, or the recipient is sent written notice within forty-eight (48) hours of disclosure, that the information and materials are "Confidential", each party agrees to maintain such information in accordance with the terms of this Agreement and the CNDA referenced on the signature page of this Agreement and any other applicable separate nondisclosure agreement between Buyer and Seller. At a minimum each party agrees to maintain such information in confidence and limit disclosure on a need to know basis, to take all reasonable precautions to prevent unauthorized disclosure, and to treat such information as it treats its own information of a similar nature, until the information becomes rightfully available to the public through no fault of the non-disclosing party. Seller's employees who access Buyer's facilities may be required to sign a separate access agreement prior to admittance to Buyer's facilities. Seller shall not use any of the confidential information created for Buyer for any other customer other than for Buyer.

12.2 Disclosure. Neither party may use the other party's name in advertisements, news releases, publicity statements, financial statement filings, nor any of its details or the existence of the relationship created by this Agreement, to any third party without the specific, written consent of the other (unless in areas specifically required to meet General Accepted Accounting Principles (GAAP) or Securities Exchange Commission (SEC) filing requirements). If disclosure of this Agreement or any of the terms hereof is required by applicable law, rule, or regulation, or is compelled by a court or governmental agency, authority or body: (i) the parties shall use all legitimate and legal means available to minimize the disclosure to third parties of the content of the Agreement, including without limitation seeking a confidential treatment request or protective order; (ii) the disclosing party shall inform the other party at least ten (10) business days in advance of the disclosure; and (iii) the

disclosing party shall give the other party a reasonable opportunity to review and comment upon the disclosure, and any request for confidential treatment or a protective order pertaining thereto, prior to making such disclosure. The parties may disclose this Agreement in confidence to their respective legal counsel, accountants, bankers and financing sources as necessary in connection with obtaining services from such third parties. The obligations stated in this section shall survive the expiration or termination of this Agreement.

12.3 No Right to Publicity. Neither party may use the other party's name or trademarks in advertisements, brochures, banners, letterhead, business cards, reference lists, or similar advertisements without the other's written consent.

ARTICLE 13. INTELLECTUAL PROPERTY.

13.1 Warranty. Seller shall defend, indemnify and hold Buyer and its customers harmless from any and all costs, expenses (including reasonably attorneys' fees), losses, damages or liabilities incurred because of actual or alleged infringement of any patent, copyright, trade secret, trademark, maskwork or other intellectual rights arising out of the use or sale by Buyer or Buyer's customers of Items or Buyer's products manufactured using the Item(s) provided by Seller. Both parties agree to notify the each other within ten (10) days of receiving notice of the alleged infringement and both parties shall be permitted to participate in the defense or settlement thereof. Buyer shall have the option to participate in it's own defense at it's own cost but Seller shall not be responsible for any compromise reached by Buyer without the express written consent of the Seller.

13.2 Injunctions. If an injunction issues as a result of any claim or action, Seller agrees, at its sole cost and expense, and Buyer's option to either: (i) procure for Buyer the right to continue using the Items, (ii) replace the Items with non-infringing Items or (iii) modify the Items so they become non-infringing. If, despite Seller's best efforts, none of the foregoing options are available, Buyer may at its option return the Item at Seller's sole cost and expense, and Seller shall refund to Buyer the purchase price of the Item.

13.3 Warranty Exceptions. Seller's obligations pursuant to this Section 13 shall not apply where: (i) Custom Items are manufactured to Buyer's detailed design and such design is the cause of the claim; or (ii) Items are used in combination with equipment, software or other products that are (x) not supplied, required or recommended by Seller, and (y) not reasonably utilized within the scope of the intended use of the Items, and (z) such infringement would not have occurred but for such combination.

13.4 Waiver. THE FOREGOING STATES THE ENTIRE OBLIGATIONS AND REMEDIES FLOWING BETWEEN BUYER AND SELLER ARISING FROM ANY INTELLECTUAL PROPERTY CLAIM BY A THIRD PARTY.

13.5 Limitation on Liability. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR LOST PROFITS, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, WHETHER UNDER THEORY OF TORT, CONTRACT OR OTHERWISE, EVEN IF ADVISED IN ADVANCE OF THE POSSIBILITY OF SUCH LOST PROFITS OR DAMAGES UNLESS SUCH LIABILITIES ARISE OUT OF GROSS NEGLIGENCE OR INTENTIONAL MISCOUNDUCT.

13.6 Right to Use and Reproduce Literature. Buyer shall have the right at no additional charge to use and/or reproduce, for internal purposes only, the Seller's applicable literature, such as operating and maintenance manuals, technical publications, prints, drawings, training manuals and other similar supporting documentation and sales literature. Seller agrees to advise Buyer of any updated information relative to the foregoing literature and documentation with timely notifications in writing

ARTICLE 14. HAZARDOUS MATERIALS.

14.1 Hazardous Materials. If Items or Services provided hereunder include Hazardous Materials, Seller represents and warrants that Seller and its employees, agents, and subcontractors providing Services to Buyer understand the nature of and hazards associated with the handling, transportation, and use of such Hazardous Materials, as applicable to Seller.

14.2 Material Safety Data Sheets. Prior to causing Hazardous Materials to be on Buyer's premises, Seller shall provide Buyer with Material Safety Data Sheets (MSDS) and any other documentation reasonably necessary to enable Buyer to comply with the applicable laws and regulations, and obtain written approval from Buyer's Site Environmental, Health, and Safety (EHS) organization. Buyer will not grant approval without Seller's agreement to comply with Buyer's Hazardous Materials management requirements.

14.3 Indemnity Obligation. Seller will be fully responsible for, defend, indemnify and hold Buyer harmless from any claim or liability arising in connection with (1) providing such Hazardous Materials to Buyer, or (2) the use of such Hazardous Materials by Seller, its agents or subcontractors in providing Services to Buyer.

14.4 No Class I Ozone Depleting Substances. Seller hereby certifies that Items supplied to Buyer do not "contain" any Class I ozone depleting substances, as those terms are defined by law.

14.5 Decontamination. Except as provided hereafter, Items returned to Seller by Buyer will be decontaminated from Hazardous Materials to the degree practical, reasonable and as required by applicable law or regulation. Upon request, Buyer shall provide appropriate documentation to Seller that the returned Items have been decontaminated. If Seller is financially responsible for shipping the return Items, Seller will be responsible for their decontamination, and Buyer shall make Buyer's facilities available to Seller for the decontamination.

ARTICLE 15. CUSTOMS CLEARANCE AND LEGAL COMPLIANCE.

15.1 Customs. Upon Buyer's request, Seller will promptly provide Buyer with a statement of origin for all Items and with applicable customs documentation for Items wholly or partially manufactured outside of the country of import.

15.2 Compliance Obligation. Throughout the term of this Agreement and any extension thereto, Seller shall comply, at its sole cost and expense, with all applicable statutes, regulations, rules, ordinances, codes and standards (Laws) governing the manufacture, transportation or sale of Items or the performance of Services covered by this Agreement anywhere in the world. Without limiting the foregoing, in the United States (U.S.) this includes all applicable commerce, environmental, occupational safety, transportation and securities Laws and all employment and labor Laws governing Seller's personnel providing Services to Buyer.

ARTICLE 16. INSURANCE.

16.1 Maintenance of Policy. Without limiting or qualifying Seller's liabilities, obligations or indemnities otherwise assumed by Seller pursuant to this Agreement, Seller shall maintain, at its sole cost and expense, a Commercial General Liability and Automobile Liability Insurance with limits of liability not less than $1,000,000.00 per occurrence and including liability coverage for bodily injury or property damage (1) assumed in a contract or agreement pertaining to Seller's business and (2) arising out of Seller's product, Services or work. .

16.2 Workers' Compensation Coverage. Seller shall also maintain statutory Workers' Compensation coverage, including a Broad Form All States Endorsement in the amount required by law, and Employers' Liability Insurance in the amount of $1,000,000.00 per occurrence. Such insurance shall include an insurer's waiver of subrogation in favor of Buyer.

16.3 Professional Liability Service. If Seller is providing any professional service to Buyer, Seller shall maintain Professional Liability Insurance (including errors and omissions coverage) with liability limits not less than $1,000,000.00.

16.4 Certificate of Insurance. Seller shall provide Buyer with properly executed Certificate(s) of Insurance prior to commencement of any operation hereunder and shall notify Buyer, no less than 30 days in advance, of any reduction or cancellation of the above coverages.

ARTICLE 17. GENERAL INDEMNIFICATION.

17.1 Seller's Indemnification Obligation. Seller agrees to protect, defend, indemnify and hold Buyer harmless from and against any and all third party claims, liabilities, demands, penalties, forfeitures, suits, judgments and the associated costs and expenses (including reasonable attorney's fees), which Buyer may hereafter incur, become responsible for or pay out as a result of death bodily injury to any person, destruction or damage to any property, contamination of or adverse effects on the environment and any clean up costs in connection therewith, or any violation of governmental law, regulation, or orders, caused, in whole or in part, by (a) Seller's breach of any term or provision of this Agreement, (b) any negligent or willful acts, errors or omissions by Seller, its employees, officers, agents, representatives or sub-contractors in the performance of Services under this Agreement; or (c) dangerously defective Items. Buyer shall have the option to participate in it's own defense at it's own cost but Seller shall not be responsible for any compromise reached by Buyer without the express written consent of the Seller.

17.2 Limitation on Seller's Idemnification Obligation. Seller shall not be responsible for any such damages or liabilities arising out of Buyer or its representatives utilizing or operating the Items in an unsafe manner or in a manner contrary to the operating instructions provided to Buyer by Seller

17.3 Buyer's Indemnification Obligation. Buyer agrees to protect, defend, indemnify and hold Seller harmless from and against any and all claims, liabilities, demands, penalties, forfeitures, suits, judgments and the associated costs and expenses (including reasonable attorney's fees), which Seller may hereafter incur, become responsible for or pay out as a result of death, bodily injury to any person, destruction or damage to any property, contamination of or adverse effects on the environment and any clean up costs in connection therewith, or any violation of governmental law, regulation, or orders, caused, in whole or in part, by Buyer's breach of any term or provision of this Agreement.

17.4 Indemnification Cap. With the exception of Seller's indemnification obligation under Article 13, in no event shall a Party's indemnification obligation exceed more than the total amount paid by

Buyer to Seller for the Item(s) which caused the liability at issue unless such liabilities arise out of the gross negligence or intentional misconduct.

ARTICLE 18. NEW DEVELOPMENTS.

18.1 Services. If development Services are to be provided pursuant to this Agreement or if at any time during the term of this Agreement, Buyer pays any fee to the Seller for development Services, the following terms and conditions shall apply unless agreed otherwise in writing by the parties.

18.1.1 All intellectual property associated with any ideas, concepts, techniques, inventions, processes, or works of authorship developed, created or conceived by Seller, its employees, subcontractors or agents while performing the development Services for Buyer or from proprietary and/or confidential information or materials belonging to Buyer (collectively, "Developments") shall belong exclusively to Buyer and be deemed the confidential information of Buyer. Seller agrees to assign (or cause to be assigned) and does hereby assign fully to Buyer all such Developments, including but not limited to any and all copyrights therein.

18.1.2 Buyer acknowledges and agrees that Seller shall retain sole and exclusive ownership of any invention, improvement, development, concept, discovery, or other proprietary information owned by Seller or in which Seller has an interest ("Seller IP"). Notwithstanding the foregoing, Seller agrees that if in the course of performing the Services, Seller incorporates any Seller IP into any Development developed hereunder, Buyer is hereby granted and shall have a nonexclusive, royalty free, perpetual, irrevocable, worldwide license, including the right to sublicense, under any such Seller IP to make, have made, use, import, prepare derivative works of, reproduce, have reproduced, perform, display, offer to sell, sell, or otherwise distribute such invention, improvement, development, concept, discovery, or other proprietary information as part of or in connection with such Development.

18.1.3 Seller shall assist Buyer, at Buyer's expense, in obtaining, registering, perfecting and enforcing all patents, trademarks, mask work rights or copyrights necessary to protect Buyer's interest in the Developments assigned to Buyer pursuant to Paragraph (18.1.1) above. This includes the disclosure of all pertinent information, the execution of applications, specifications, oaths and assignments and any other papers by Seller necessary to ensure said protection for Buyer. Upon Buyer's request, Seller shall execute an Assignment of Copyright to Buyer covering any copyrightable deliverable accepted by Buyer hereunder.

18.1.4 Documentation. All documentation connected with the development Services or associated with Developments assigned to Buyer pursuant to Paragraph 18.1.1 above, shall be the exclusive property of Buyer. Upon Buyer's request, Seller shall make all such documentation available to Buyer.

ARTICLE 19. MISCELLANEOUS

19.1 Choice of Law. This Agreement shall be governed by the law of the State of California, United States of America, without regard to its conflict of law principles.

19.2 Dispute Resolution. Except for claims regarding the infringement, validity or scope of either Party's Patent Rights, to which this Section 19.2 will not apply, the Parties shall endeavor to resolve disputes through the procedures of Sections 19.2.1 and 19.2.2.

19.2.1 Each Party will make reasonable best efforts to resolve amicably any disputes or claims under this Agreement among the Parties. These efforts shall include the escalation to negotiations between senior officers or principals of the Parties ("Designated Executives"), in which case the disputing Party will give the other Party written notice of the nature of the dispute and proposed resolution. Within seven (7) days after receipt of such notice, the responding Party shall submit a written response, and counter resolution. The Designated Executives shall then meet at a mutually acceptable time and place (or San Francisco, California, if no such place can be agreed upon) within ten (10) business days of the date of the responding Party's response, to conduct good faith negotiations to resolve amicably the dispute. If the matter has not been resolved pursuant to the aforesaid negotiation procedure within thirty (30) days, the matter will be resolved pursuant to Section 19.2.2, below.

19.2.2 Except for claims regarding the infringement, validity or scope of either Party's Patent Rights, to which this Section will not apply, in the event that a resolution is not reached among the Parties within thirty (30) days after written notice by any Party of the dispute or claims through the procedures of Section 19.2.1, the dispute or claim shall be finally settled by binding arbitration in San Francisco, California, in accordance with the then in effect Commercial Dispute Rules of the American Arbitration Association ("AAA"). The arbitration shall be administered out of the local San Francisco Office of the AAA. Three (3) arbitrators shall be appointed in accordance with the AAA rules. Depositions may be taken and discovery may be obtained, subject to time period restrictions set by the arbitrator; the arbitrator will give active, attentive case management to the scope, form, cost effectiveness and scheduling of all discovery. Notwithstanding the foregoing, it is agreed that the arbitral proceedings will be conducted in such a manner that the substantive merit of the Claim is ruled upon by the arbitrator within sixty (60) days after the selection of the arbitrator. In the event of any conflict between the Rules of the AAA, the provisions of this Section will govern. In any arbitral proceeding under this paragraph, each Party will bear its own attorneys' fees and expenses; except that the losing Party will bear the reasonable costs and expenses of the prevailing Party, and the costs and expenses of the arbitrator, in connection with such proceedings. The award of arbitration shall be final and binding upon both Parties, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any monetary award shall be payable in United States dollars.

19.3 Injunctive Relief and Infringement Claims. Each of the Parties acknowledges that unauthorized disclosure or use of the other Party's Confidential Information or infringement or misappropriation of the other Party's intellectual property rights could cause irreparable harm and significant injury that would be difficult to ascertain and may not be compensable by damages alone. Accordingly, the Parties agree that, in addition to any and all legal remedies, claims regarding: (i) Intellectual Property Rights, including Patent Rights; (ii) Confidential Information; or (iii) a violation of the obligations of Section(no section 4.6), may be remedied by specific performance, injunction or other appropriate equitable relief. For all claims regarding the infringement, validity or scope of either Party's Patent Rights, such claims shall be brought before and take place in the U.S. Federal Courts in and for the Northern District of California, except for any claim based upon a complaint filed with the International Trade Commission under Section 337 of the Tariff Act of 1930.

19.4 Assignment. Neither Party may assign any or all of its rights and/or obligations under this Agreement without the prior written consent of the other Party which will not be unreasonably withheld or delayed. Notwithstanding the foregoing, Seller or Buyer may assign its rights and obligations under this Agreement: (i) to a Subsidiary; or (ii) in connection with a merger, reorganization or sale of all or substantially all of Seller or Buyer's assets which relate to the business pertinent to the license under this Agreement. Any assignment permitted hereunder will be subject to the written consent of the assignee to all of the terms and provisions of this Agreement. Any attempted assignment in derogation of this Section 19.4 will be null and void.

19.5 Modification and Waiver. Any delay of failure by Buyer to pursue any and all of its remedies upon a breach by Seller, or to insist upon Seller's performance of any provision of this Agreement, shall not be construed as a waiver of Buyer's rights under the terms and conditions outlined herein and/or of applicable state law. No modification to this Agreement, nor any waiver of any rights, will be effective unless assented to in writing by the Party to be charged, and the waiver of any breach or default shall not constitute a waiver of any other right hereunder or any subsequent breach or default.

19.6 Force Majeure. Neither Party shall be liable for delay or failure in performance, in whole or in part, caused by any government act, law, regulation, order or decree, war (whether an actual declaration thereof is made or not), sabotage, insurrection, riot or other act of civil disobedience, act of public enemy, power failures, or by fire, flood or other natural disasters or by other causes beyond its reasonable control, nor shall any such delay or failure be considered to be a breach of this Agreement. In any such event, performance shall take place as soon thereafter as is reasonably feasible. If delivery of Items or the performance of Services is to be delayed by such contingencies, Seller shall immediately notify Buyer in writing. If the delay is greater than fourteen (14) days from the date of the notice, Buyer will have the option, in its sole discretion, to either (i) extend time of delivery or performance, or (ii) terminate the uncompleted portion of the order at no cost of any nature to Buyer.

19.7 Independent Contractors. In performing their respective duties under this Agreement, each of the Parties will be operating as an independent contractor. Nothing contained herein will in any way constitute any association, partnership, or joint venture between the Parties hereto, or be construed to evidence the intention of the Parties to establish any such relationship. Seller shall be responsible for any withholding taxes, payroll taxes, disability insurance payments, unemployment taxes and other similar taxes or charges on the payments received by Seller hereunder. Absent the other Party's prior written consent, neither Party has any right or authority to assume or create any obligations of any kind or to make any representation or warranty on behalf of the other Party, whether express or implied, or to bind the other Party in any respect whatsoever.

19.8 Severability. In the event that it is determined by a court of competent jurisdiction or under arbitration under Section 19.2 that any provision of this Agreement is invalid, illegal, or otherwise unenforceable, such provision will be enforced as nearly as possible in accordance with the stated intention of the Parties, while the remainder of this Agreement will remain in full force and effect and bind the Parties according to its terms. To the extent any provision cannot be enforced in accordance with the stated intentions of the Parties, such provisions will be deemed not to be a part of this Agreement.

19.9 Headings. The headings of the Sections of this Agreement are for convenience only and will not be of any effect in construing the meanings of the Sections.

19.10 Counterparts. This Agreement may be executed in multiple counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

19.11 Entire Agreement. This Agreement, the Schedules (including these Terms and Conditions) attached hereto, and the CNDA referenced on the executed cover page, constitute the entire and exclusive agreement between the Parties hereto with respect to the subject matter hereof and supersede any prior agreements between the Parties with respect to such subject matter.

19.12 Specific Performance. Notwithstanding anything to the contrary contained in this Agreement, the parties agree that the failure of the Seller to deliver an Item or perform a Service in accordance with the terms and conditions contained in this Agreement after the acceptance of a Purchase Order would cause irreparable damage to Buyer for which monetary damages would not provide an adequate remedy. Accordingly, it is agreed that, in addition to any other remedy to which Buyer may be entitled, at law or in equity, Buyer shall be entitled to injunctive relief to prevent

breaches of the provisions of this Agreement by Seller, and an order of specific performance to compel performance of such obligations in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction.

19.13 Survival. The rights and obligations of the parties as contained in Sections 8, 11 - 14 and 16-19 shall survive the termination or expiration of this Agreement along with any other right or legal obligation of a party created by a term or condition in any Addendum or Product Specification, which term or condition by its nature would survive the termination or expiration of the Agreement.

19.14 Notice. All notices and other communication required or permitted in connection with this Agreement shall be in writing and shall be sent to a party at its addres set forth on the first page of this Agreement, or to such address as may be specified in writing, by first class mail, postage prepaid, by facsimile transmission or by overnight courier.

SCHEDULE A

ITEMS AND SERVICES

1. Items:

Ceramic substrates * * *.

2. Services:

(a) Design services for custom substrates.

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

SCHEDULE B

PRODUCT SPECIFICATION FOR CERAMIC SUBSTRATES

Form Factor

P06-XXXX

FFI PN SPECIFICATION FOR SPACE TRANSFORMERS

1. Document Number: P06-XXXX
2. FFI Procurement Specification for Space Transformers

[*** 17 pages redacted]

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*** Confidential treatment has been requested for portions of this exhibit. The copy filed herewith has been marked to indicate the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

SCHEDULE C

PRICING SCHEDULE

[* * * 3 pages redacted]

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

SCHEDULE D

LEAD TIME MATRIX

[* * * 1 page redacted]

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

SCHEDULE E

CANCELLATION COST FOR CUSTOM ITEMS

STAGE	PERCENT OF PURCHASE PRICE NOT TO EXCEED	NOTES
* * *	* * *	* * *
* * *	* * *	* * *
* * *	* * *	* * *
* * *	* * *	* * *

* * * Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

SCHEDULE F

ALTERATIONS

1.3 "DELIVERY POINT" means NTK Komaki, Japan facility.

2.2 Manufacturing Capability. During the Term, Seller agrees to establish and have in place facilities, manufacturing, test equipment and labor necessary to manufacture Items as required by Buyer consistent with the terms and conditions of this Agreement. Seller shall exercise its commercially reasonable best efforts to manufacture Items in a timely manner in accordance with the applicable Product Spec in such quantities as required by Buyer.

2.3 Manufacturing Capability. During the Term, Seller agrees to establish and have in place facilities, manufacturing, test equipment and labor necessary to manufacture Items as required by Buyer consistent with the terms and conditions of this Agreement. Seller shall exercise its commercially reasonable best efforts to manufacture Items in a timely manner in accordance with the applicable Product Spec in such quantities as required by Buyer.

3.1 Pricing. Prices for Items and Services are as set forth in Schedule C. Seller and Buyer agree that after the first * * * months of the agreement, and after each subsequent * * * month period thereafter while this agreement is in still in effect, the parties will renegotiate prices in good faith.

3.3 Inspection Right. Buyer has the right, once per year, to appoint an independent third party of it's choice and it's expense, to inspect and audit Seller's records to ensure compliance with this Agreement. Buyer's choice of independent third party must be approved by Seller.

4.2 Purchase Order Acknowledgement. Seller agrees to acknowledge and accept each Purchase Order to Buyer within three (3) business days after receipt of the Purchase Order ("Purchase Order Acknowledgment"). Lack of a written Purchase Order Acknowledgement by Seller to Buyer within three (3) business days shall be deemed acceptance of the Purchase Order.

4.3 Forecasts. By the tenth (10th) day of each month, Buyer shall supply to Seller a forecast setting forth Buyer's anticipated purchases of Items in each month for the proceeding * * * month period ("Rolling Forecast"). The Rolling Forecast is provided to Seller for planning purposes only and neither constitutes a firm commitment from Buyer to purchase a specific number of Items, nor a Purchase Order. Buyer shall modify the Rolling Forecast in the event it determines that it is not a reasonably accurate forecast of Buyer's anticipated purchases of Items, but Buyer shall have no obligation to and may, at its sole discretion, issue Purchase Orders under this Agreement. Buyer shall be responsible only for Items or Services for which it has issued Purchase Orders hereunder.

5.3 Payments. All payments shall be * * * percent (* * *%) net * * * days from the receipt of Invoice, Items, or Services, whichever is later. Payment is made when Buyer's check is mailed or EDI funds transfer initiated. Payment of an invoice shall not constitute acceptance of the Item or Service. Product shall be subject to appropriate adjustment for failure of Seller to meet the Purchase Order requirements. Buyer may set off any amount owed by Seller or any of its affiliated companies to Buyer against any amount owed by Buyer under the Purchase Order.

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6.2 Shipping Terms. All Items shall be delivered Free Carrier At (FCA) the Delivery Point as specified in the Definitions. Title and risk of loss shall pass to Buyer upon delivery of Items to the Delivery Point ["FCA"; ICC Incoterms 2000].

6.5 Missed Delivery Date. Delete entire section 6.5.

7.1 Assured Quantity. Seller acknowledges that a reliable and continuing source of Items and Custom Items is essential to Buyer. As a material inducement to Buyer's execution of this Agreement, Seller hereby covenants that it shall reserve capacity of its manufacturing facility to assure supply of Items to Buyer up to the quantity of * * * of Buyer's average monthly requirements per the Buyer's Rolling Forecast.

7.3 Expedited Shipping Reserve. Delete entire Section 7.3.

7.5 Cessation of Manufacturing. Seller must notify Buyer in writing * * * prior to any determination it makes to stop manufacturing Items and/or Custom Items for Buyer. During the * * * period, Buyer may issue and Seller shall continue to accept, all Purchase Orders for Items and/or Custom Items provided the Purchase Orders conform to the terms and conditions in this Agreement.. In the event that at the end of the * * * period Seller has not fulfilled all of the Buyer's open Purchase Orders with the Seller, Seller shall nonetheless be obligated to meet the Purchase Order requirements. Any deliveries of Items that are delivered to the Delivery Point after the Delivery Date specified in the Purchase Order shall be subject to the late delivery provisions and penalties included in Section 6 to this Agreement.

7.6 Early Delivery. Delete entire section 6.6.

7.7 Packaging. Add the following sentence to Section 6.8 Packaging: Lifting, handling, and unpacking markings shall indicate "This side up", "Fragile, Handle with Care", "Open this End" and any additional instructions that will ensure the safe unpacking of the items.

7.3 Expedited Shipping Reserve. At Buyer discretion, Seller will make available up to * * * of the average monthly volume in the Buyer's Rolling Forecast for shipment within * * * of contractual Lead-time as described in Schedule D.

8.2 Source Inspection. Buyer shall have the right to inspect the Product(s) at Seller's facility prior to shipment. Buyer agrees to give Seller at least five (5) business days notice that it wishes to exercise this right. If Buyer does exercise this right, Seller agrees to provide all reasonable assistance with the inspection at no charge to Buyer. Source inspection requirements are described in the Product Specification unless agreed otherwise in writing by the parties.

8.3 Acceptance Inspection Right. Add the following sentence to Section 8.3 Acceptance Inspection Right: Section 8.3 is subject to all non-conforming product being verified and agreed to by seller's QA department.

8.3.1 If an Item is identified as a Defective Item, due to no fault of Buyer, within * * * days of delivery, then Buyer must provide a Defective Material Report and sample of Defective Item to Seller. All Defective Items must be verified and agreed to by Seller's QA department. If Seller does not replace or repair the Defective Item with an Item that meets the Final Acceptance Criteria within * * * days of such notice, Buyer may, at Buyer's option; (a) return the Item for * * *, (b) have the Item replaced with a new Item from Seller or repaired by Seller within ten (10) business days of Buyer's written election of option (b), or (c) accept such Defective Items at an * * * in price, agreed to by both parties.

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8.4.1 Delete from Section 8.4.1: "and will bear the risk of loss of such Items while in transit and any other costs reasonably associated with a nonconforming Item"

9.3 Delete section 9.3. In place of Section 9.3, a separate Letter Agreements covering * * * shall be executed.

10.2 Termination Charges. Delete entire Section 10.2 "Termination Charges".

10.5 Failure of Seller to Perform. If (i) Seller fails to make any delivery or perform any service in accordance with the specified delivery dates or otherwise fails to comply with the Purchase Order and does not remedy such failure within ten (10) days after receipt of written notice thereof from Buyer, (ii) Seller fails to make progress to such an extent that performance of the Purchase Order is endangered, (iii) any proceedings is filed by or against Seller in bankruptcy or insolvency, or for appointment for the benefit of creditors, or (iv) Seller is in any way in any other breach of the Purchase Order then Buyer may (in addition to any other right or remedy provided by the Purchase Order or by law) terminate all or any part of the Purchase Order by written notice to Seller without any liability. If the Purchase Order is terminated or cancelled by Buyer consistent with this section, Buyer, in addition to any other rights provided in this clause, may require Seller to transfer title and deliver to Buyer: (i) any completed supplies, and (ii) such partially completed supplies and materials, parts, plans, drawings, information, and contract rights as Seller has specifically produced or specifically acquired for the performance of such Purchase Orders as have been terminated. Buyer will pay for the lesser of invoice or current market value of these items and any partial payments made by the Buyer on the terminated Purchase Order will be used to reduce the amount owed by the Buyer to the Seller.

10.6 Termination For Breach. In the event of a material breach of this Agreement by a Party, the complaining Party shall give the breaching Party written notice of the breach. If the breach is not cured within thirty (30) days of the written notice, the complaining Party may immediately terminate this Agreement. Seller shall exercise its best efforts to cure any breach item, and submit frequent updates, reports and/or meetings in a timely manner as required.

11.1 Ownership. Add to Section 11.1 "Ownership": Any tools, dies, patterns, masks, gauges, test equipment or other materials paid by Buyer that contains Seller's know how and are considered confidential by Seller may by destroyed by Seller instead of being furnished to Buyer so long as (i) An agent of the Buyer witnesses the destruction, or (ii) Seller provides proof of destruction sufficient to Buyer.

12.1 Confidentiality Obligation. Modify the last sentence of Section 12.1 "Confidentiality Obligation" to read: Seller shall not use any of the confidential information provided by Buyer or created exclusively for Buyer, for any other customer other than for Buyer.

15.2 Compliance Obligation. Throughout the term of this Agreement and any extension thereto, Seller shall comply, at its sole cost and expense, with all applicable statutes, regulations, rules, ordinances, codes and standards (Laws) governing the manufacture, transportation or sale of Items or the performance of Services covered by this Agreement. Without limiting the foregoing, in the United States (U.S.) this includes all applicable commerce, environmental, occupational safety, transportation and securities Laws and all employment and labor Laws governing Seller's personnel providing Services to Buyer.

16.2 Workers' Compensation Coverage. Seller shall also maintain statutory Workers' Compensation coverage, including a Broad Form All States Endorsement in the amount required by law, and Employers' Liability Insurance in the amount of $1,000,000.00 per occurrence.

16.3 Professional Liability Service. Delete entire section 16.3.

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18.1.1 Delete entire paragraph 18.1.1. Development Services, if and when provided, will be covered under a separate Development Services Agreement.

18.1.2 Buyer acknowledges and agrees that Seller shall retain sole and exclusive ownership of any invention, improvement, development, concept, discovery, or other proprietary information owned by Seller or in which Seller has an interest ("Seller IP"). Notwithstanding the foregoing, Seller agrees that if in the course of providing Products to or performing Services for Buyer, Seller incorporates any Seller IP into any Development developed hereunder, Buyer is hereby granted and shall have a nonexclusive, royalty free, perpetual, irrevocable, worldwide license to sell, use, import, display, offer to sell, or otherwise distribute Products containing said Seller IP.

19.2.1 Each Party will make reasonable best efforts to resolve amicably any disputes or claims under this Agreement among the Parties. These efforts shall include the escalation to negotiations between senior officers or principals of the Parties ("Designated Executives"), in which case the disputing Party will give the other Party written notice of the nature of the dispute and proposed resolution. Within ten (10) business days after receipt of such notice, the responding Party shall submit a written response, and counter resolution. The Designated Executives shall then meet at a mutually acceptable time and place (or San Francisco, California, if no such place can be agreed upon) within ten (10) business days of the date of the responding Party's response, to conduct good faith negotiations to resolve amicably the dispute. If the matter has not been resolved pursuant to the aforesaid negotiation procedure within thirty (30) days, the matter will be resolved pursuant to Section 19.2.2, below.

19.6 Force Majeure. Neither Party shall be liable for delay or failure in performance, in whole or in part, caused by any government act, law, regulation, order or decree, war (whether an actual declaration thereof is made or not), sabotage, insurrection, riot or other act of civil disobedience, act of public enemy, power failures, or by fire, flood or other natural disasters or by other causes beyond its reasonable control, nor shall any such delay or failure be considered to be a breach of this Agreement. In any such event, performance shall take place as soon thereafter as is reasonably feasible. If delivery of Items or the performance of Services is to be delayed by such contingencies, Seller shall immediately notify Buyer in writing. If the delay is greater than fourteen (14) days from the date of the notice, Buyer will have the option, in its sole discretion, to either (i) extend time of delivery or performance, or (ii) terminate the uncompleted portion of the order with cancellation costs not to exceed those documented in Appendix E.

EXHIBIT 23.02

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Amendment No. 8 to the Registration Statement on Form S-1 of our report dated January 17, 2003, except for the last paragraph of Note 5, as to which the date is February 21, 2003, relating to the consolidated financial statements and our report dated May 6, 2003, relating to the financial statement schedule of FormFactor, Inc., which appear in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

San Jose, California
June 5, 2003